For accessibility alternative, contact the Company's accessibility coordinator, by contacting the Company on: 03-7261616 or by fax at: 03-7261617 or by email: info@gencellenergy.com

GENCELL LTD.

Periodic Report for 2021

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Definitions

For convenience, the following are definitions of key terms appearing in the periodic report:

"Dollar"-	USD;
"TASE"-	Tel Aviv Stock Exchange Ltd.;
"Company"-	GENCELL Ltd. (Company No. - 514579887);
"Founders"-	Rami Reshef, Gil Shavit and Gennadi Finkelshtain;
"Prospectus"-	Prospectus for IPO that also constituting the Company's shelf prospectus dated November 9, 2020, bearing the date November 10, 2020 (Reference No.: 2020-01-120750);
"Companies Law"-	Companies Law, 5759-1999;
"Securities Law"-	Securities Law, 5728-1968;
"Ordinary shares"-	Ordinary Company shares, registered by name, of NIS 0.01 par value each;
"CFE"-	Mexico Federal Electricity Company;
"TDK"-	TDK Corporation, a corporation incorporated in Japan;

Chapter A - Description of the Company's Business

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Chapter A - Description of the Company's Business

Part One- General

1. General

The Company's Board of Directors is hereby pleased to submit the Description of the Company's Business as of December 31, 2021, which reviews the Company description and business development during the twelve month period ended December 31, 2021 ("**Report period**" and "**Report date**", respectively). Data appearing in this report are true as of the date of the report, and updated to December 31, 2021, unless otherwise stated.

The financial data included in this report are denominated in US dollars, unless stated otherwise.

All data in this report refers to the Company's financial statements, unless otherwise expressly stated.

The chapter describing the Company's business includes data based on surveys and public research, including information appearing on various websites. It should be noted that unless otherwise expressly stated, the Company did not seek, and in any case did not obtain, the consent of the editors of surveys, studies and websites as aforesaid, for the purpose of including such information in the Corporation's business description, and this information is accessible and public to the best of the Company's knowledge. The Company is not responsible for the content of such surveys, studies and websites.

The Company's business description includes forward-looking information, defined in the Securities Law as a forecast, assessment, estimate or any other information which is uncertain, relating to a future event or matter, the realization of which is uncertain, and not under the sole control of the Company ("Forward-looking information"). Forward looking information provided in the description of the Company's business is based on information in the Company's possession and includes the Company's assessments, estimates or intentions as of the reporting date. Actual results may differ from the Company's assessed or expected results. In some cases, forward-looking information can be identified by the appearance of phrases such as: "the Company expects", "the Company appreciates", "the Company intends" and the like, but such information may also appear in other forms.

2. Definitions

For convenience, the following are definitions of key terms appearing in this chapter:

"Fuel cells"-	A fuel cell is an electrochemical cell that converts chemical energy into electric current;
"Alkaline"-	A word to used to describe basic ionic salts of certain metals (such as sodium) or water-soluble basic substances or basic substances in general. These salts were among the first known bases and they are still used today as common bases in the industry. Inside the fuel cells, the medium between the electrodes consists of a potassium hydroxide type base (alkali) dissolved in water (concentration of 30%);
"Low temperature"-	the fuel cell's working temperature - around 70 degrees Celsius;
"Electrochemical process"-	a process depicting chemical reactions in which hydrogen decomposition and electron transfer takes place between an electrical conductor (electrode) and an ion conductor (electrolyte). These are reactions in which an electron traverses through the area between the electrode and the ionic conductor;
"Hydrogen"-	a gaseous chemical element whose chemical symbol is H and whose atomic number is 1. The hydrogen molecule consists of two hydrogen atoms connected by a single covalent bond (H-H) and symbolized H_2;
"Direct Current DC"-	(acronym for the English term Direct Current). Flow of electric charges through a conductive medium in a constant mode i.e. that does not reverse its direction;
"Electrochemical reaction" -	a combination of hydrogen and oxygen in a chemical process that generates electricity, heat and water;
"CATALYST "-	Catalyst (in English: Catalyst, catalysis is performed by a catalyst) is a substance capable of accelerating the course of chemical reactions;
"Electrode"-	an electrical conductor used to make contact with a non-metallic medium of an electrical circuit. In the fuel cell, the process of hydrogen separation takes place on the surface of the electrode where the catalysis is found;
"H_2O"-	the chemical symbol of water;

"Platinum"-	a chemical element whose chemical symbol is Pt and whose atomic number is 78;
"Palladium"-	a chemical element whose chemical symbol is Pd and whose atomic number is 46;
"Nickel"-	a chemical element from the group of transition metals whose chemical symbol is Ni and whose atomic number is 28;
"Ammonia"-	ammonia is a nitrogen and hydrogen compound with the formula NH_3;
"Semiconductor"-	a material whose electrical conduction lies between that of a conductor, such as metallic copper, and an insulator, such as glass;
"Nitrogen"-	a chemical element whose chemical symbol is H and whose atomic number is 7. The nitrogen molecule consists of two nitrogen atoms connected together by a triangular covalent bond (N≡N) and marked N_2. Except for hydrogen, this is the element with the smallest atomic mass relative to its number of electrons;
"Gravitational energy density" -	the electrical energy resulting from the presence of an electric charge within an electric field;
"Electrolysis"-	a chemical process occurring in an ionic substance or an aqueous solution, involving the breaking down of bonds between molecular materials and different compounds into their separate elements; Used for example for the decomposition of water into hydrogen and oxygen;
"UPS"-	Uninterruptible backup system. Allows continuous load protection so that the load does not experience any interference. Used to protect critical loads from power supply issues, including peaks, voltage drops, fluctuations and complete electrical failures. The energy source is usually dedicated batteries;
"Cathode"-	a cathode is a type of electrode (positive or negative depending on the application) in the fuel cell, the cathode serves as a negative potential to which the electrons released through the load from the high potential (anode) traverse;
"Anode"-	a type of electrode. Used as an electrode in the fuel cell in which an oxidation reaction of hydrogen with oxygen occurs;
"Liquid electrolyte"-	any substance containing free ions and which serves as an electrically conductive medium;

G5"-	a fuel cell that runs on hydrogen as fuel and is designed for back up of critical systems for an extended period; This system is due to be replaced by a new and upgraded system called BOX;
"BOX"-	a fuel cell that runs on hydrogen as fuel and is intended for back up of critical systems for an extended period and designed to operate in outdoor conditions; This upgraded system is due to replace the G5 system;
"G5RX"-	a fuel cell that runs on hydrogen as fuel and is intended for back up of critical systems for an extended period; Located inside a container capable of operating during an earthquake and containing a separate chamber for gases; This system is due to be replaced by the new and upgraded REX model;
"REX"-	a fuel cell that runs on hydrogen as fuel and is intended for back up of critical systems for an extended period; Located inside a container capable of operating during an earthquake and containing a separate chamber for gases; This upgraded system is based on the BOX platform and is due to replace the G5RX system;
"A5"-	a fuel cell that runs on ammonia as fuel and is intended for continuous operation; This system is due to be replaced by the new and upgraded FOX model;
""FOX-	a fuel cell that runs on ammonia as fuel and intended for continuous operation; This upgraded system is due to replace the A5 system;
"TUV Rhineland"-	an internationally recognized German-Austrian certification and testing body. Provides certification in a wide range of tests and standards and includes highly qualified experts who test technical systems and products around the world. Its certification is accepted worldwide;
"Carbon dioxide"-	a gas constituting a compound of carbon and oxygen;
"Black carbon"-	(black carbon) a component of a fine particulate matter;
"IEEE 693 seismic standard"-	standard - an integrated system of requirements for seismic certification of electrical equipment, intended for advanced electrical companies in the world. Unlike other standards, also requires the actual testing of the equipment and is not satisfied

with the model alone. Users must use IEEE Std 693 without modifying or removing any requirement;

"Mini Power Plant"- designed to meet electricity needs in remote areas devoid of a power grid. The mini-energy plant consists of an ammonia fuel tank, an ammonia cracker, a fuel cell and a control system (EMS);

"EFC EV"- an electric vehicle powered by a hydrogen fuel cell;

"Haber-Bosch"- an artificial nitrogen fixation process and the main industrial process for production of ammonia to date;

"CO2"- carbon dioxide (chemical formula CO_2) is a colorless gas with a density approx. 60% higher than that of dry air;

"Mega watts"- watt is a measurement unit indicating output in international units. Megawatt is 1,000,000 watts;

"PEMFC"- a fuel cell in which the medium between the anode and the cathode is a membrane (and not a liquid);

"DMFC"- a fuel cell that operates directly on methanol;

"Methanol"- Methanol is the simplest alcohol. It is a colorless, flammable and toxic liquid with a unique odor;

"Pem"- a membrane used as the electrolytic medium between the anode and the cathode in PEMFC type fuel cells;

"Palladium"- a chemical element whose chemical symbol is Pd and whose atomic number is 46;

PHD""- PhD;

"Polypropylene"- a thermoplastic polymer used for a variety of applications: wrapping materials and tags, textiles, packaging and plastic parts, laboratory equipment, car components and more;

S&OP""- Sales & Operation Planning Process;

TUV""- Technical Testing Association (Germany and Austria). The leading testing and certification body in Europe today;

"CE"- a European standard mark used to certify that the product being marketed meets the relevant required European standard. These standards are required for the marketing of electrical products e.g. in Europe, Switzerland and even Turkey;

"IEC"- Israel Electricity Company;

"IEEE"- the world's leading electrical and electronics engineering organization in the field of electrical and electronics standardization. Regularly issues international standards recognized worldwide in the field of electricity and electronics. Testing and certification bodies (e.g. TUV) use standards issued by the IEEE as a basis for the testing of equipment being tested;

Part Two- Description of the general development of the Corporation's business

3. Company activity and description of the development of its business

The Company was incorporated and registered in Israel on February 21, 2011, pursuant to the Companies Law, as a private company limited in shares, under its current name.

On November 18, 2020, the Company completed an IPO of its shares by virtue of the prospectus, in the framework of which the Company's shares were listed on the TASE, and hence the Company became a public company as per the term's definition in the Companies Law, as well as a reporting corporation, as per the term's definition in the Securities Law.

As of the publication of the report, the Company is developing, manufacturing, and marketing green energy backup and power supply solutions based on alkaline fuel cells operating on hydrogen. The Company is developing fuel cells in response to a growing demand for green energy based on petroleum substitutes. The Company's activities are based in its offices and factories located in Petah Tikva.

As of the publication of the report, the Company does not hold any other corporation, other than a 100% holding in the issued and paid-up share capital of Gencell Inc. which was incorporated on October 30, 2017, under the laws of the State of Delaware (USA) and as of the date of publication of the report has no business activity.

4. Company's area of activity

The Company is a manufacturing technological company, engaged in the design, development, production, marketing and sale and provision of after-sales services of systems for power supply backup, based on the use of alkaline fuel cells characterized by the generation of green electricity with no emission of carbon dioxide into the atmosphere, in response to a growing demand for green energy based on petroleum substitutes. The Company's systems are designed to provide an "uninterruptible power supply" solution to critical points in the economy and stationary electricity solutions for geographical areas not connected to the power grid.

The Company's products are based on fuel cells. In a fuel cell, a chemical reaction takes place between two gases: hydrogen and oxygen. The product of the above chemical procedure is electricity, water (H_2O andheat. The generationof such electricity is totally clean and does not create any pollution during the production process.

A fuel cell produces direct current DC voltage and can be used for various applications, such as electrical backup for various systems around us that rely on a stable power supply at all times, as well as continuous power supply to areas that are not connected to power infrastructure or that benefit from electricity only part of the day. Moreover, fuel cells are gaining momentum in the automotive industry as a clean and long-term solution in vehicle propulsion. Fuel cell technology is deemed an important factor in helping reduce carbon dioxide emissions and a factor aiding compliance with CO_2 emission reduction targets.

Fuel cells operating at a low temperature (approx. 70 degrees Celsius) are required to use a CATALYST. A catalyst accelerates the course of chemical reactions between hydrogen and oxygen. To perform its work, the catalyst is based on precious metals, such as platinum and palladium. Such precious metals are expensive and constitute a barrier to reducing the cost of the fuel cell thus making it difficult to commercialize fuel cells due to their high cost.

The Company has developed a cheap substitute to the use of precious metal (platinum), which is based on a unique compound of materials based on Black carbon and nickel that is significantly cheaper than the alternative used in the fuel cell market. This helps the Company lower the cost of the catalyst relative to the platinum-based alternative catalyst in the commodity market as of the reporting date. Moreover, the price of platinum is a price with high volatility that changes from time to time, thus its replacement with the unique and inexpensive compound developed by the Company reduces exposure to volatility relating to the cost of the product.

During the reporting period, the Company continued investing extensive effort in research and development, achieving a breakthrough by completing the development of the catalyst which is not based on a precious metal in any way, including palladium. The new catalysts developed by the Company are a cheap replacement to the catalyst based on precious metals. The new catalyst is patented in several locations in the world. For further details, see Section 21.1 below as well as an immediate report published by the Company on March 9, 2021 (Reference No.: 2021-01-029763). The aforesaid reference is presented as a generalization by way of reference.

The Company has developed a technology that allows it to supply electricity in areas where the power grid is non or partially existent (only a few hours a day). The Company's technology enables the production of clean electricity in areas cut off from electricity while presenting a green power supply and in most countries operational savings over internal combustion engines (diesel engines). This development by the Company can operate continuously throughout the day regardless of the sun or wind, with limited maintenance, and by remote control. The solution offered by the Company is characterized by minimal refueling logistics,

once a month and even once a year. This capability is based on the use of ammonia as the energy source. Ammonia is the second most common chemical on Earth, with a market capitalization of over $ 75 billion in 2022[1]. Ammonia is readily available as it is very common in agriculture, the semiconductor industry, deep cooling, cosmetics, medicine and more. Ammonia consists of one atom of nitrogen and three atoms of hydrogen and is found in a low-pressure liquid configuration, allowing its transport in trucks, trains and ships to almost every possible location.

The Company has developed a unique ability to extract hydrogen (required for the operation of the fuel cell) from ammonia without the use of and connection to the power grid which is not available in such locations and thus feed the fuel cell with hydrogen required for the generation of electricity. The system operates as an independent unit. The Company's unique ability to extract hydrogen from liquid ammonia allows it to offer a clean alternative to internal combustion engines in areas outside the power grid, alongside an economic saving. As of the date of the report, there are no grants or government subsidies helping to finance the development of the Company's products in this area.

On February 22, 2021, the Company entered into a strategic cooperation agreement with TDK for TDK's participation in the Company's "Green Ammonia" project, which aims to develop a product that will enable the production of "green ammonia" without any CO_2 emissions at the power generation stage. This solution will enable the Company to offer its customers a complete solution that includes the production of ammonia and the use of a completely clean energy source for the production of clean electricity using the Company's fuel cells which use ammonia as a fuel. The Company also estimates that insofar as it succeeds in developing technological capacity for the production of green ammonia, it will have created an opportunity to enter the ammonia production market which is expected (under certain conditions) to reach a global production of 1 billion tons of green ammonia[2] over the coming years. This solution will enable the Company to offer its customers a complete solution that includes the production of ammonia and the use of a completely clean energy source for the production of clean electricity using the Company's fuel cells which use ammonia as a fuel. The Company intends to utilize this technology so that its customers are able to produce green

[1] 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

[2] https://view.argusmedia.com/rs/584-BUW-606/images/Argus%20White%20Paper%20-%20Green%20Ammonia.pdf

ammonia (fuel) instead of electricity thus avoiding all the logistics entailed in transporting and storing hydrogen and ammonia in sites where the Company's fuel cells are located.

The production of green ammonia constitutes a first step for the Company in its intention to enter the field of clean fuel production which the Company believes constitutes a unique and very large business opportunity in the coming years. The Company estimates that the increased use of hydrogen as the fuel of the future will further the search for ways of transporting and storing it, with green ammonia being one way to efficiently store energy in a hydrogen configuration. The Company also estimates that the possibility of producing green ammonia at points of use will open up the possibility of offering this technology to the principal ammonia markets, including agriculture, industry and more. The Company believes that its capabilities in the field of hydrogen and especially in the development of catalysts for work in a hydrogen environment will help it position itself in this emerging market.

As of the reporting date, the Green Ammonia project is still in the development stages and said activity is not an independent field of activity.

It is clarified that the above information and forecasts, including the realization of collaborations within the Green Ammonia Project, the realization of strategic partnerships with TDK, as well as their assistance and advancement of the Company's commercial processes, constitute forward-looking information within the term's meaning in the Securities Law. Such estimates and forecasts may not materialize, in whole or in part, or may materialize in a different manner than estimated. The Company's estimates and forecasts are based on information currently in the Company's possession regarding its activities and are not under the Company's control.

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

5. Investments in the Company's capital and transactions in its shares

5.1. To the best of the Company's knowledge, as of January 1, 2020 to the date of publication of this report, no investments were made in the Company's capital, except as detailed below:

Date	Essence of change	Type of security	Consideration in respect of the shares	Price per share	Quantity of shares added to the Company's capital
25.8.2020 and 2.9.2020	Allocation of shares in an investment round that also includes the conversion of bridging loans into convertible shares E[1] and premier shares E1[1]. (1) (2)	Premier shares F[3]	Approx. $ 15.58 million	2.56 Dollar	6,082,562
		Premier shares F[1]	$ 3.2 million	1.6481 Dollar	1,941,630
		Premier shares E1[1]	$ 15 million	1.3185 Dollar	11,376,737
18.11.2020	IPO of ordinary Company shares by virtue of the prospectus	Ordinary shares	Approx. NIS 205 million (approx. $ 61.3 million)	8.763 NIS (approx. $ 2.622	23,435,700
12.4.2021	Public offering of ordinary Company shares according to an off-the-shelf offer dated 11 April, 2021 (3)	Ordinary shares	Approx. NIS 47 million (approx. $ 14.2 million)	NIS 13.5 (approx. $ 4.1)	3,484,000
18.1.2022	Private allotment of ordinary Company shares according to a	Ordinary shares	Approx. NIS 112.5 million (approx. $ 36 million)	NIS 9.4 (approx. $ 3)	11,966,979

[3] It should be noted, that following the listing of the securities for trading on the TASE under the prospectus, all preference shares A1, preference shares A2, preference shares A3, preference shares B, preference shares C1, preference shares C2, preference shares C3, preference shares C4, preference shares D, preference shares E, preference shares E1 and preference shares F, were converted to ordinary Company shares at a ratio of 1:1, so that as of the reporting date all the shares in the Company's issued and paid-up capital are ordinary shares. ("**Capital consolidation**"). Moreover, all rights which were attached to preference shares A1, preference shares A2, preference shares A3, preference shares B, preference shares C1, preference shares C2, preference shares C3, preference shares C4, preference shares D, preference shares E, preference shares E1 and preference shares F, were revoked upon said capital consolidation.

Date	Essence of change	Type of security	Consideration in respect of the shares	Price per share	Quantity of shares added to the Company's capital
	material private allotment report (4)				

(1) On August 25, 2020, the Company made an investment round in return for the allotment of preference shares and, in the framework of which, the Company entered into an allotment agreement with Paz Oil Company Ltd. ("**Paz**") and some of its existing shareholders, including Landa Ventures Ltd., The controlling shareholder in the Company and a stakeholder in the Company at that time, according to which in exchange for approx. $ 14,570 thousand, 5,691,968 preference shares were allotted and at a price per share of $ 2.56 (NIS 8.763), of which 3,905,945 preference shares were allocated to Paz, 1,710,804 preference shares to Landa Ventures and 75,219 preference shares to the stakeholder in the Company at that time.

On September 2, 2020, an additional investment was received as part of an investment round for preference shares, in the framework of which an additional shareholder who is not a stakeholder in the Company was allotted 390,594 preference shares in return for approx. $ 1,012 thousand.

In addition, the Company granted Paz a warrant ("**Paz warrant**"), under which Paz may purchase up to 206,000 preference shares and (with such right converted automatically to the purchase of ordinary shares prior to the listing of the securities on the TASE under the prospectus) at an exercise price of $ 2.56 (NIS 8.763) per share. The right was granted for a period of up to the earlier of: (a) expiration of 7 years following the date of allotment of the Paz warranty or (b) the deemed liquidation event (as defined in the Company's AOA at the time) ("**Period of right**"). Moreover, Paz warranty is subject to the maturity terms associated with Paz's collaborations with the Company.

(2) On August 25, 2020, the Company converted two (2) convertible bridging loans (unpaid or converted to said date) totalling $ 18,200,000, as set forth below: (a) convertible bridging loan from July 2018 (as amended) granted to the Company by Landa Ventures, the controlling shareholder in the Company, and by a stakeholder at that time, totalling $ 3,200,000 of which $ 2,931,200 was provided by Landa Ventures and $ 268,800 by the stakeholder at that time. In exchange for the conversion of the said bridging loan, 1,941,630 preference shares were allotted at a price per share of $ 1.6481, of which 1,778,533 preference shares were allotted to Landa Ventures and 163,097

preference shares to the Flani Group; and (b) a convertible bridging loan dated 31 December, 2018, as was amended and updated from time to time, granted to the Company by Landa Ventures, the controlling shareholder in the Company, and by a stakeholder at that time, totalling $ 15,000,000, of which $ 14,294,400 was provided by Landa Ventures and $ 705,600 by the stakeholder at that time. In exchange for converting said convertible bridging loan, 11,376,737 E1 preference shares were allotted at a price per share of $ 1.3185, of which 10,841,575 E1 preference shares were allotted to Landa Ventures and 535,162 E1 preference shares to the stakeholder at that time.

(3) On April 12, 2021, the Company completed another offering of its shares ("**Additional Issue**"), by way of a non-uniform offer as stated in Regulation 11(a)(1) of the Offer to Institutional Investors Regulations (as defined in the Offer Regulations), including foreign institutional investors, including BNPP PARBIS CAPITAL , which has a reputation for investing in leading international green energy companies, under a shelf offer report dated April 11, 2021 published by virtue of the prospectus. For further details, see the shelf offer report and the 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 aforesaid references are presented as a generalization by way of reference.

(4) On January 17, 2022, the Company's Board of Directors approved a private allotment of 11,966,979 ordinary Company shares of NIS 0.01 par value each ("**Ordinary shares**") to third parties, unrelated to the Company and/or its controlling shareholder. ("**Offerees**" and "**Private allottment**", as the case may be), against payment of NIS 9.4 per one ordinary Company share, such that the gross proceeds received from offerees amounted to NIS 112,489,602 (approximately $ 35,996,673). To the best of the Company's knowledge, as part of the private placement, ordinary shares were allotted, among others, to Migdal Insurance Holdings and Finance Ltd., a stakeholder in the Company, and to entities from the Harel Insurance Investments and Financial Services Ltd. Group that became a stakeholder as a result of the private placement. It should be noted that the Company undertook towards one of the offeree investors, that during 2022 it will not allot the Company's shares at a share price lower than NIS 11 per share, unless it executes an allotment to a strategic investor and/or in the framework of a strategic move. For further details, see the Report on Material Private Placement pursuant to the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000, published by the Company on January 18, 2022 (Reference No.: 2022-01-008007). The aforesaid reference is presented as a generalization by way of reference.

5.2. To the best of the Company's knowledge, as of January 1, 2020 to the date of publication of this report, no material transactions were executed in the Company's shares by a stakeholder of the Company outside the TASE, except as detailed below:

Stakeholder	Date of execution of transaction	Type of transaction	Number of shares	Rate of execution of transactions (Agorot)
Ben Zion (Benny) Landa	24.5.2021	Sale outside TASE	2,411,056	1.200
Migdal Insurance and Finance Holdings Ltd.[4]	24.5.2021	Acquisition outside TASE	2,411,056	1.200

6. Dividend Distribution

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es.

6.2. As of the date of 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, regarding compliance with distribution tests, no restrictions apply to the Company that may affect its ability to distribute dividends.

6.4. As of the date of publication of the report, the Company has no balance of distributable surpluses.

[4] It should be noted that following said acquisition, Migdal Insurance and Finance Holdings Ltd. became a stakeholder in the Company.

Part Three - Other Information

7. Financial information regarding areas of activity

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

As of the date of the report, the Company has one area of activity.

For the Company's financial data in the years 2020 - 2021, see the Company's financial statements as of December 31, 2021, attached to the periodic report as Chapter C.

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

8. General environment and the impact of external factors on the Corporation's activities

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

In early 2020, a "Corona" type virus (COVID-19) began to spread around the world, and was declared a global pandemic by the World Health Organization. The outbreak of the pandemic and the uncertainty regarding the rate of its spread, the timeframe for dealing with the pandemic and the possible timeframe for returning to a routine, have led to a global economic crisis, including in Israel.

In the Company's opinion, the range of scenarios for emerging from the crisis is wide and depends mainly on a number of factors which are not under the Company's control, including: the timeframe for the entire population to be vaccinated against the virus, the scope of restrictions on business activity until the population is vaccinated against the virus and the level of government support of the economy.

During the reporting period, there were intermittent increases and decreases in the rate of spread of the virus throughout the world and in Israel, including the spread of various variants, when towards the end of the reporting period and up until the date of publication of the report, the "dominant" variant has been "Omicron". Accordingly, the Israeli government has taken a series

of austerity measures and restrictions, with the current period still characterized by significant uncertainty regarding the continued spread of the virus and its severity, including concerns of another "wave" of disease and the manner and duration of recovery and frequent changes entailed therein. In the period since the outbreak of the virus, there has been a decline in the volume of economic activity in many parts of the world, including Israel, sharp volatility is felt in many markets (both real and financial), which characterized by high uncertainty. These have been reflected, inter alia, by an increase involatility and risk. Moreover, 2021 was characterized by a shortage of raw materials and a significant increase in haulage costs, which affected the supply of products according to the original schedules agreed upon. According to data from the Bank of Israel and macroeconomic sources[5]

The year 2020 was characterized by turbulence as a result of the spread of the corona virus, and inter alia, led to significant damage to economic activity, an unprecedented unemployment rate and a contraction in the level of GDP (according to the Central Bureau of Statistics, the rate of contraction of 2.4% in 2020 reflects a decline relative to the growth rate in 2019 which stood at approx. 3.5%). According to data from the Ministry of Finance, as of March 2021, economic activity began to recover at a rapid pace. In the second quarter of 2021, GDP grew at a rate of 16.6% at an annual rate, thanks to a continued increase in exports of high-tech services and a rapid recovery in private consumption. In recent months the economic recovery has continued, albeit at a more moderate pace.

According to the Chief Economist Division at the Ministry of Finance, which takes into account contending with the fourth wave without severe restrictions on activity, the forecast indicates growth of 7.1% in 2021 and growth of 4.7% in 2022. Meanwhile, growth in 2021 reflects a recovery in potential growth rate, after it was hit in 2020 due to restrictions on economic activity. Concurrently, the output gap that opened in 2020 is expected to close, in the Division's estimate, as early as 2022. Private consumption, which was hit sharply in 2020 (-9.2%), recovered in 2021 at a rapid pace (13.1%) and is expected to continue growing in 2022 (7.5%). Moreover, continued growth in exports (mainly due to the high-tech industry) and some recovery in tourism is expected in 2022[6].

As of the reporting date, the continuation and scope of the crisis and its full impact on business

[5] Based, inter alia, on data published by the Bank of Israel, at: - WWW.BOI.ORG.IL, by the Central Bureau of Statistics at WWW.CBS.GOV.IL, by the Ministry of Finance at WWW.MOF.GOV.IL and by Maalot S&P at www.maalot.co.uk.

[6] Based on data published by the Ministry of Finance, Macroeconomic Forecast for 2021-2025, at https://www.gov.il/he/Departments/publications/reports/development-and-income-forecast-corona

activity in Israel and around the world in general and on the Company in particular cannot be predicted. The Company continues to monitor the spread of the virus and its economic impact and will act accordingly. For further details regarding the corona crisis and its impact on the Company's business activity, see Section 1.2 of Chapter B in the periodic report. The spread of the corona virus is a risk factor for the Company. For further details regarding this risk factor and how it may impact the Company, see Section 34.1.34.10 below.

8.2. The military campaign between Russia and Ukraine

On February 24, 2022, Russia invaded Ukraine territory accompanied by bombing of various locations throughout Ukraine, including the capital Kyiv, Odessa, Kharkiv, Leviv and more. In the face of the aforesaid invasion, various financial and economic sanctions were imposed by Western countries on Russia and its citizens. The Company receives development services from two service providers who, as of the date of publication of the report, continue to provide the services, but in view of said sanctions, it is not possible to execute bank transfers to the service providers' accounts in Russia. The Company has also contracted with a Belarusian company which provides such services together with Ukrainian service providers, for development of the catalyst in the FOX system. In light of the aforesaid campaign, the services have been discontinued. As of the publication of the report, the current period is characterized by significant uncertainty regarding the protraction of hostilities and their cessation cannot be estimated. Protraction of the fighting may lead to delays in the developments carried out by the aforesaid service providers. The Company is examining the possibility of employing suitable professionals in Israel for the purpose of progressing said developments. As a result of the imposition of sanctions, energy and commodity prices have risen, but as of the date of publication of the report, this will not have a material effect on its operations.

8.3. Economic situation in the capital markets

As of the date of publication of the report, there is economic uncertainty in the Israeli or global capital market, which may adversely affect the Company's ability to raise additional capital, to the extent required, to complete the development of its products and expand its activities, given that the Company is a manufacturing technological company that has yet to generate sufficient cash flow for financing its day-to-day operations.

8.4. Fluctuations in currency exchange rates

Since the Company markets and sells its products to various countries around the world, in dollar, euro or any other tradeable international currency and therefore receives proceeds in

foreign currency, and in light of the fact that some of the raw materials used by the Company's suppliers are acquired in foreign currency, the Company estimates that it may be exposed to risks arising from changes in the exchange rates of foreign currencies against the new shekel and/or dollar, which may affect its operating results and profitability.

The Company seeks to partially hedge the risks of exposure to changes in foreign currency exchange rates, inter alia, through future transactions for the purchase or sale of foreign currency. Currency volatility constitutes a risk factor for the Company. Moreover, the Company conducts investment policy and market risk management. For further details regarding this risk factor and its impact on the Company and market risks, see Section 34.10 below and Section 3.2 of the Board of Directors' report, respectively.

8.5. General regulatory restrictions

For details regarding restrictions, legislation, standards and special constraints applicable to the area of activity, see Section 9.2 below.

8.6. Fuel cell sector

The fuel cell sector has a market in the order of approx. $ 1 trillion in annual terms [7].

The European Hydrogen Organization's forecast[8] is that the use of hydrogen in response to energy demand will rise to 18% by 2050. This forecast suggests a tenfold increase in hydrogen demand (to 550 million tonnes per year) which will accordingly generate annual revenues of $ 2.5 trillion worldwide.

Hydrogen has an excellent gravimetric energy density (energy content) (ED) and can be produced in a number of ways, either through natural gas or through electrolysis of water. The hydrogen can be stored flexibly, for long periods thus making the renewable energy more diverse.

The Company sees significant market opportunities for its solutions. The market size is currently estimated at approx. $ 150 billion, consisting of 4 rapidly growing market segments, as follows:

(A) The global UPS (Uninterrupted Power Supply) market is estimated at approx. 7.7 billion

[7] Hydrogan – 15 ways to play the mega-trend – LIBERUN – Global New Energy ESG – 10 December 2019

[8] See footnote 2 above.

in 2017 with an annual growth rate of 11[9].

For details regarding the Company's activity in the UPS (Uninterrupted Power Supply) market using the G5 system - which is a continual backup system that provides long-lasting backup energy to critical sites that cannot tolerate power outages due to the high cost involved, see Section 10.30 below.

(B) The global industrial battery market which is expected to reach $ 10.8 billion by 2021 with an annual growth rate of 6%[10].

For details regarding the Company's activity in the industrial battery market using the G5rx system - which is a system intended for use by electricity companies in transformer stations as an alternative to the existing battery system, see Section 10.30 below.

(C) The off-grid electricity market which constitutes an opportunity amounting to approx. $ 100 billion that could include the replacement of diesel generators with an annual growth rate of 4% [11].

For details regarding the Company's activity in the off-grid electricity market through the Off-FOX system - which is a system in the development stages and is intended for areas without electricity infrastructure, see Section 10.300 below.

(D) The global electric vehicle charging market is expected to grow to approx. $ 207 billion by 2030[12].

For details regarding the Company's activity in the electric vehicle charging market, through the development of independent systems for the area of electric vehicle charging in the framework of the cooperation agreement with EV, see Sections 12.4 and 29.11 below.

The information presented in this section, regarding the general environment and external factors impacting the Company's activities, includes information based on the Company's

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[9] https://technology.ihs.com/Services/467640/Uninterruptible%20Power%20Supplies%20(UPS)%20Intelligence%20Service/Analysis?f=261:143021

[10] https://www.marketsandmarkets.com/Market-Reports/industrial-batteries-market-36754108.html

[11] https://www.idtechex.com/research/reports/distributed-generation-minigrid-microgrid-zero-emission-2018-2038-000562.asp

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

subjective assessments and estimates taking into account past experience as well as information based on publications and surveys of professional factors regarding the status of the Israeli economy. The data listed above are estimates only and may be incomplete, but in the Company's estimate, may provide a general picture, albeit inaccurate, of the markets in which it operates. In light of the foregoing, actual results may differ from the assessments detailed above, including the development attempts described in this section in the event of a change in one of the factors taken into account in said assessments and/or due to the realization of any of the Company's intentions and external factors set forth in this section.

Part Four - Description of the Corporation's business by area of activity

9. General information on the area of activity

Structure of the area of activity and changes occurring therein .9.1

In light of the growing awareness concerning the damage caused by global warming, inter alia as a result of the continued use of energy sources based on polluting fuels, there is a growing worldwide demand for clean fuel substitutes. Governments, companies and individuals are encouraging the use of renewable energy sources for various purposes, such as fixed systems and transportation. In October 2021, for the first time in 16 years, the World Health Organization tightened its air quality guidelines and regulations regarding the concentration of pollutants in the air. In 2020, the year that most parts of the world were under lockdowns and traffic restrictions due to the outbreak of the corona virus, most of the major cities in the world failed to even comply with the old regulations, which were much less stringent. Each of the 100 largest cities in the world violated the permitted levels under the new regulations[13].

Governments hold solutions and tools necessary to solve the air pollution crisis and health epidemic it causes. Even without taking into account the heavy economic burden caused by air pollution, in most parts of the world renewable and clean energy sources are granted priority over energy sources based on burning coal, oil or gas. Measures that will drastically reduce global air pollution will have a far-reaching impact on public health and greenhouse gas emissions which exacerbate the climate crisis.

One of the technologies that will help reduce CO_2 emissions is fuel cell technology which uses oxygen and hydrogen to generate energy, with high energy efficiency and without the emission of harmful or polluting substances. Electricity generation occurs as a result of an electrochemical reaction of the gases, and without internal combustion. Therefore, the only emissions in the process are water and heat, and therefore the energy generation process is neither noisy nor polluting and is defined as clean energy.

The electrochemical process for generating clean electricity, which occurs in the fuel cell, is based on a chemical reaction between hydrogen and oxygen. This technology was invented as

[13] https://www.greenpeace.org/israel/1andhalf/49341/%D7%90%D7%A8%D7%92%D7%95%D7%9F-%D7%94%D7%91%D7%A8%D7%99%D7%90%D7%95%D7%AA-%D7%94%D7%A2%D7%95%D7%9C%D7%9E%D7%99-%D7%9E%D7%A0%D7%A1%D7%94-%D7%9C%D7%94%D7%99%D7%9C%D7%97%D7%9D-%D7%91%D7%90%D7%99%D7%95/

early as 1839 and was revived in the American and Russian space programs in their mission to reach the moon as early as the 1960's. In the space programs the fuel cell was used as a source for generating energy for the operation of the spacecraft as well as for heat and drinking water.

The Company was founded with the goal of making this space technology available for use on Earth. The vision was to use all the benefits of said technology used to reach space, while striving to reduce its cost dramatically so that it could be a worthy replacement for existing means of energy production and above all - as a replacement for polluting diesel engines.

The current fuel cells operating at a low temperature require the use of a precious and very expensive metal - platinum, as a catalyst as well as the use of hydrogen at a very high degree of cleanliness. The result is a product that is expensive to purchase and operate, and thus the use of fuel cells has not become very common.

The Company believes that unlike petroleum-based products that compete with the Company's products, its products are not currently dependent on stringent regulation. As of the date of publication of the report, many countries around the world have introduced directives and regulations to encourage the use of hydrogen on the one hand and regulations impeding the use of polluting fuels on the other.

In response to the growing need for energy based on petroleum substitutes, the Company develops and manufactures alkaline fuel cells in various end product configurations (BOX, REX, FOX), which provide an efficient and reliable solutionat an affordable cost for modular backup systems within the existing power grid and power generation in areas not connected to the grid. For further details about the Company's products, see Section 10 below.

The Company's technological breakthroughs have for the first time created a clean alternative to electricity generation, coupled with economic savings and minimal environmental pollution. To date electricity generation has mainly been performed using internal combustion engines.

The replacement of platinum as catalyst in fuel cells, with an alternative developed by the Company, affects the price of the Company's products and in fact allows the Company to present a real alternative to internal combustion engines based on carbon fuel. Another significant breakthrough is the ability to work with ammonia-derived hydrogen, which is significantly cheaper than high-purity hydrogen and easier to transport.

These breakthroughs earned the Company three prestigious awards in 2019 and early 2020:

1. **FROST & SULLIVAN Consulting Company Award:**
   Recognizes GenCell Ltd. With the 2019 Europe Enabling Technology Leadership Award.

2. **Global cellular companies patron organization award: GSM**
   GSMA Recognizes GenCell as the Joint Winner of the GLOMO 2019 Green Mobile Award for the Gencell A5.

3. **Award from the GSC2000 International Organization, which selected the Company from amongst hundreds of start-up companies:**
   Global Startup Challenge 2020 awards GenCell 1st place in the Homeland Security sector and 2nd place overall.

9.2. Legislative restrictions, standards and special constraints applicable to the area of activity

9.2.1. Business Licensing

The Business Licensing Law, 5728-1968, and the Business Licensing Order (Businesses Requiring Approval), 5773-2013, require the obtaining of a business license for those engaged in the field of energy, including the storage of hazardous substances (as defined in the Hazardous Substance Law, 5753- 1993) ("**Hazardous Substance Law**"). Accordingly, the Company holds a business license granted by the Petach Tikva Municipality on July 2, 2012, for an indefinite period.

9.2.2. Safety at work

As part of the development and production processes carried out at the Company's plant, the Company may be subject to the Work Safety Laws applicable to the execution of relevant work, as well as the orders and regulations issued thereunder, including the Occupational Safety Ordinance [New Version], 5730-1970 and the regulations and orders issued thereunder, the regulations of the Labor Inspection Organization, etc., relating to safety aspects at work.

9.2.3. Hazardous substances

As stated, the Company's development and production procedures include the use of

hazardous substances (as set out in the Hazardous Substances Law) including ammonia. As required by Section 3 of the Hazardous Substances Law, the Company holds a Toxins Permit (No. 687892), issued by the Hazardous Substances branch at the Ministry of Environment on February 6, 2022, valid to February 7, 2025.

9.2.4. Standardization and regulation

Despite the use of such hazardous substances in the development and production procedures of the Company's products, the finished product itself is not deemed "hazardous" and does not contain any of the hazardous substances stored in the Company's plant. Pursuant to local and international requirements, the Company holds the following standardization regulatory certificates -

9.2.4.1. For the "G5" system:

A. Israel Electricity Grid

On December 16, 2020, the Company received a permit from the Israel Electricity Authority for the operation of the G5system for backup in a microgrid configuration (small local networks that enable the supply of a smart power grid) in an essential facility that constitutes the first permit of its kind for a hydrogen generator in Israel.

B. Ministry of Health

On October 31, 2021, the Ministry of Health received approval for the operation of a hydrogen fuel cell system at "Hillel Yaffe" Hospital under a pilot format to the end of 2022.

C. Standards Institution of Israel -

Certificate of Conformity No. 9312331906 dated December 10, 2014, confirming that the Company's product "G5" has been tested and meets the requirements of the following standards -

IEC 62282-3-100;

IEC 60950-1/EN 60950-1;

IEC 60204-1/EN 60204-1;

IEC 60335-1/ EN 60335-1;

Certificate of Conformity No.9412322071 dated August 27, 2014, confirming that the Company's product "G5" has been tested and meets the requirements of the following standards -

EN 55011;

EN 61000-6-2;

D. European Union

EU Declaration of Conformity Certificate dated August 12, 2014 confirming that the Company's "G5" exhibit meets the following directive requirements -

Machinery Directive 2006/42/EC;

EMC Directive 2004/108/EC;

Low Voltage Directive 2006/95/EC;

Pressure Equipment Directive 97/23/EC;

RoHSdirective 2011/65/EU;

E. TUV Rheinland

Certificate number T 72151545 01, dated July 17, 2015 confirming that the Company's product "Fuel Cell Generator G5" meets the requirements of the following standards -

EN 62282-3-100: 2012;

IEC 62282-3-100: 2012;

9.2.4.2. For the "G5rx" systems under its new trade name "REX":

The "G5rx" contains within it the G5 and BOX products respectively, and thus

the aforementioned certificates for the "G5" and "BOX" product also apply to these products. In addition, "G5rx" and its subsystems have been tested and meet the requirements of the following standards -

(A) Standards Institution of Israel

Certificate of Integrity No. 9712319111 dated July 11, 2017 confirming that the Company's product "Energy Bridge 130V Schaeffer" which is an integral part of the G5rx product has been tested and meets the requirements for voltage surge resistance pursuant to the following standard -

IEEE STD C37.90.1-2012`

(B) WEGAI Standards Institute, State of Idaho, United States

Certificate of Integrity No. 1312-03 dated May 10, 2017 confirming that the Company's product "G5rx" has been tested and meets the requirements of earthquake resistance pursuant to the following standard -

IEEE693-2005 HIGH PERFORMANCE LEVEL;

9.2.4.3. For the "BOX"system:

Prior to marketing the BOX system, the Company will be required to complete the standardization processes outlined above for the G5 system. Furthermore, the Company estimates that the "BOX" system will be required to obtain the relevant standards from the Standards Institute, the European Union (in favor of a Declaration of Conformity) and TUV Rheinland.

9.2.4.4. For the "A5" system (under its trade name FOX)

Prior to marketing of the FOX system, the following standards will need to be obtained from the Standards Institution, the European Union (in favor of a Declaration of Conformity) and TUV Rheinland:

ISO 16110-1`

ISO 16110-2 `

CSA International Requirement No. 5.99`

ANSI Standard K61.1-1999 S`

9.3. Developments in the markets of the area of activity or changes in the characteristics of its customers

Governments and investment bodies are increasingly turning to activities involving hydrogen-based products, which, as mentioned, is a fuel more suitable for a world striving for zero carbon emissions, as a substitute for hydrocarbon fuel.

The potential range of uses for hydrogen includes various forms of energy usage, from electricity generation at fixed stations (replacement for generators) such as the Company's products, fuel for propulsion of vehicles, heating and industrial processing. According to the Hydrogen[14] Council, the international hydrogen market could reach a value of $ 2.5 trillion by 2050, supply 18% of global finite energy demand, provide 30 million jobs worldwide and reduce carbon dioxide by a billion tonnes a year.

According to the International Energy Agency [15], hydrogen has the potential to diversify the world's energy mix and reduce emissions. Shell, one of the largest oil and gas suppliers in the world, expects hydrogen to be the main energy carrier as of 2040[16] and by the end of the 21st century, hydrogen will probably be able to supply a quarter of the total energy demand for transportation.

Realizing the Hydrogen Council's target requires investments of approx. $ 25 billion a year, up until the end of 2030, to double hydrogen production, provide infrastructure for its distribution and equipment such as vehicles based on hydrogen fuel cells (FCEV), trains, heating equipment and components whose cost is decreasing.

About twenty countries, led by Japan, South Korea, Germany, China and the state of California in the United States, are initiating the opening of the hydrogen market for expansion through

[14] https://hydrogencouncil.com/wp-content/uploads/2017/11/Hydrogen-scaling-up-Hydrogen-Council.pdf

[15] https://www.iea.org/fuels-and-technologies/hydrogen

[16] https://www.petroleum-economist.com/articles/low-carbon-energy/renewables/2018/hydrogen-scales-up

public-private partnerships and dedicated incentives.

Thus for example, China has set itself a goal of installing 1,000 hydrogen refueling stations (HRS) by 2030, which will serve over one million vehicles. China intends, even prior to 2025, to convert the city of Wuhan into a hydrogen trading hub. Moreover, the Japanese government has announced a $ 20 billion investment in the hydrogen economy to meet zero carbon emissions by 2040. Moreover, the Japanese government is implementing a government program to connect households to fuel cells, so far 300,000 households have been connected. It further expects to reach over 900 hydrogen refueling stations (HRS) by 2030[17].

Accordingly, the Company is seeking the establishment of a strategic relationship with TDK for the purpose of commercializing its products in the Japanese market. For details regarding the strategic cooperation agreement signed with TDK in the context of its participation in the Company's "Green Ammonia" project, which aims to develop a product enabling the production of "Green Ammonia" (ammonia production without any CO2 emissions) at the point of power generation, see Section 29.5 below.

In Australia, government-funded entrepreneurs and/or entities backed by government finance are planning large renewable energy projects that will produce hydrogen for export to Asia[18]. As of the reporting date, the Company is working in partnership with an Australian power company called HORIZAN POWER for placement of G5 systems as part of hybrid power systems combining solar energy and fuel cells in remote areas.

In the US there is an active incentive to switch to hydrogen products by provision of a tax benefit to the buyer. The Company operates in the US directly with potential buyers such as government agencies, electricity and gas companies as well as via distributors. In January 2021 the US administration announced the return of the US to the Paris Agreement and the US administration's commitment to meet the zero carbon dioxide emissions target by 2050. This announcement reinforces the international commitment to reduce the impact of greenhouse gases on global warming and is a further catalyst to green energy generation technologies.

The Company operates in a business environment and corporate governance supports the transition to green energy solutions. More and more companies have started adopting a hydrogen economy and innovative technology such as a fuel cell and huge investments are being directed towards strengthening and making hydrogen and ammonia infrastructure accessible. The interest

[17] https://energy.org.il/%D7%94%D7%A9%D7%99%D7%9E%D7%95%D7%A9-%D7%91%D7%9E%D7%99%D7%9E%D7%9F-%D7%9E%D7%AA%D7%A8%D7%97%D7%91-2/

[18] See footnote 10 above.

in the Company's products from key players in its target markets is growing, at the centre of which are communications companies, electricity companies and vehicle charging companies.

In the Company's estimate the demand for fuel cells in general and the Company's products in particular will increase as more companies adopt an increasingly stringent air pollution policy along with the incentivising of such move by governments and large organizations who will support investment in infrastructure that supports hydrogen and ammonia distribution such that use thereof becomes cheaper and more accessible.

The Company believes, based on its familiarity with the market and its conversations with its customers, that with regards to its backup products, its advantages over the competition centers mainly on their suitability for the target markets (electricity and telecoms companies), the durability and reliability of the technology but the price of these products is currently approx. 20% higher than similar products. The Company is carrying out a number of actions which, in its estimate, will lead to a dramatic reduction in the costs of manufacturing the products and will enable it to present its products competitively in the near future also in terms of price.

As for products that can be used as an independent source of continuous energy and use ammonia as fuel, the Company believes that in this field it has a significant advantage over the competition, both technologically and economically and that reduced costs in backup products will also affect continuous energy costs and allow it to maintain high profitability and competitiveness in the future. According to the conversations with potential customers, the Company believes that its continuous energy products are expected to form the backbone of its revenues in the coming years. Nonetheless, the Company expects demand for its BOX products to increase amongst developed countries suffering from weather damages.

The information presented in this section, regarding developments in the area of activity markets changes in the characteristics of its customers, includes information based on the Company's subjective assessments and estimates taking into account past experience as well as information founded on publications and surveys of professional bodies. The data listed above are estimates only and may be inaccurate. In light of the foregoing, actual results may differ from the estimates specified in this section insofar as a change occurs in one of the factors considered in said estimates.

9.4. External technological changes bearing a material impact on the area of activity

To the best of the Company's knowledge, there have not been any significant external technological changes over the past few years that may materially impact its area of activity.

9.5. Critical success factors in the area of activity

A number of critical success factors can be pointed out in the Company's area of activity, which impact the Company's activity and status:

9.5.1. **Binding regulation -**

The regulation in this field is material for the Company's success in its area of activity, since binding regulation, as opposed to internal or voluntary regulation, will increase demand for the Company's products and help the Company penetrate the target markets.

9.5.2. **Equipment at a high technological level and quality -**

The Company believes that the success of its product penetration depends, inter alia, on the use of advanced equipment and quality components while maintaining competitive production costs.

9.5.3. **Price -**

The Company believes that the pricing method of its products has a high impact on the degree of cooperation of entities when purchasing the Company's products. In the Company's opinion, decisions in this matter are made, inter alia, as part of an economic perspective, with an inflated price affecting the purchase of the Company's products. The Company is doing its best to reduce its production and installation costs, which will also be reflected in a decrease in the price to consumers. The Company is also preparing to present additional economic models, including financial leasing and service sales operations that will assist in introducing its products into the market and remove acquisition restrictions related to equipment investment. It should be noted that at this stage, the Company's products are manufactured in relatively small quantities and the price of its products relative to competing products is in the higher price range. Concurrently the Company has plans to reduce costs by a significant scope. In such a situation, the prices of the Company's products are expected to be more competitive. Moreover, in the Company's opinion, the completion of development of the catalyst as stated in Section 4 above will afford the Company additional significant savings in cost of fuel cell production, with said changes expected to provide the Company with a significant competitive advantage over its competitors who continue to produce an expensive precious metal-based catalyst.

As for the FOX product, the Company expects that the product's ability to work with cheap fuel (ammonia) relative to the other fuels used as alternative products will play a crucial role in the Company's ability to sell it. Even today, the cost of producing

electricity using the FOX product is lower than the cost of producing electricity using fuel cells running on hydrogen and diesel generators in many countries around the world.

9.5.4. **Adapting the Company's products-**

Adapting the Company's products and connecting them to its customers' management interfaces by adapting the software so that they are integrated into the system, management and monitoring array of its customers and constitute an incentive to their use. In addition, efficient installation and the creation of a user-friendly interface are significant in penetrating the target markets.

9.5.5. **Personnel-**

Maintaining skilled and professional personnel in the area of activity is a critical factor for the quality and integrity of the Company's products, as well as support in penetration of the target markets.

9.5.6. **Technological improvements and advances-**

Improving the expertise, knowledge and professional understanding of the most innovative and advanced technology - on the basis of which it will be possible to develop, improve and refine the Company's products. Such improvements may directly affect the results of the Company's future operations and assist in penetrating the target markets. Moreover, insofar as compliant regulation applies, the Company believes that further adjustments will be required in order to comply with such regulation. In the Company's opinion, technological innovations and improvements may increase the quality and performance of its products, and this whilst ensuring the construction of simple and user-friendly interfaces for the operation of the Company's products.

9.5.7. **Branding-**

The Company believes that its positive goodwill, as shall be accrued over the years, as well as success in assimilating its products, will aid the Company's branding of itself as a leading company in its field.

9.5.8. **Identifying new trends in the field-**

Since this is an area the primary success of which depends, inter alia, on its technological innovation capability - the Company is diligent, and will continue to be so in the future - in identifying new trends in the field while maintaining innovation, originality and

uniqueness.

The Company's assessments regarding the aforementioned success factors, its developments, production capacity, ability to identify new trends and its strategic and business plans are forward-looking information within the term's meaning in the Securities Law. These assessments are based on the information currently available to the Company regarding its activities and the assessments of the Company's management, and are not solely under the Company's control and may not materialize at all or may materialize in part.

9.6. Changes in the array of suppliers and raw materials in the area of activity

The main raw materials used to manufacture the Company's products are: nickel, nickel nets, BLACK CARBON (black carbon consists of pure carbon in several linked forms), mechanics, electrical components and electronics. As of the reporting date, there has been no change in the basic raw materials used to manufacture the Company's products. The "fuel" (hydrogen and ammonia) consumed by the Company for the operation of its products is supplied by giant companies with a global deployment. The Company estimates that the variety of suppliers and their deployment ensures the supply of "fuel" (hydrogen and ammonia). It should be noted that as part of the consequences of the spread of the Corona virus, industry and the Company in particular experienced delays in supply due to the extension of delivery times and also due to constraints in the logistics and transportation systems. As a result, there may be a delay in recognizing revenue from projects that have already been approved or situations in which the Company may be subject to fines forlate deliveryor evencancellationof theentire project.

9.7. Main entry and exit barriers

Entry and exit barriers in the market of activity:

9.7.1. **Use of breakthrough technology-**

Technological achievements and the adaptation of products in the area of activity constitute an important aspect for entry into the area of activity. The Company believes that competitors who seek to penetrate the area of activity may encounter substantial difficulty. The Company believes that protecting its unique technology by registering patents and maintaining trade secrets is an important aspect affording the Company a significant advantage for entering target markets. For further details, see Section 21 below.

9.7.2. **Use of precious metals-**

Currently, all low-temperature fuel cell companies require the use precious and expensive metals for the catalyst in the chemical reaction. This issue increases the cost of the fuel cell.

9.7.3. **Hyrogen price-**

The current price of hydrogen is high and stems from expensive production and transportation processes and a lack of a logistical system (unlike gasoline and diesel). Recently, various governments and organizations have recognized the need for expansion of the hydrogen infrastructure, for example the European Commission's Recovery Fund has decided to invest € 750 billion in promoting clean hydrogen projects, Japan will invest $ 19.2 billion and Germany has allocated € 7 billion[19]. The Company estimates that such investments will significantly reduce the price of hydrogen production, within a few years the price of hydrogen will be economical, however the cost of bottling and transportation will constitute approx. 75% of the final cost of hydrogen to the consumer.

9.7.4. **Creating business collaborations-**

Increasing the Company's customer base whilst creating a product that meets customer requirements, collaborations with players who provide complementary products to the Company's products such as UPS companies, international companies manufacturing batteries, telecoms companies and electric car charging companies, will aid penetration of the Company's potential target markets and its success in said markets. For further details regarding business collaborations, see Section 29 below.

9.7.5. **Research and development activities and use of financial resources-**

The Company believes that anyone wishing to enter the area of activity will need to carry out significant research and development operations for development of its products, which will require employment of considerable financial resources as well as quality personnel. A critical entry barrier is the availability of the capital required for the purpose of financing research and development activities, either through equity or through the raising of bank financing or non-bank financing.

9.7.6. **Knowledge, professional experience and the existence of skilled personnel-**

[19] https://www.calcalist.co.il/local/articles/0,7340,L-3903891,00.html

Carrying out the processes in the Company's area of activity requires knowledge, appropriate professional experience and skill, including an understanding and recognition of the regulatory provisions and regulations applicable to the Company's area of activity.

9.7.7. **Expertise-**

Stems from the need to develop unique products, knowledge and technological infrastructure in the field in which the Company operates, which involves large investments in research and development.

9.7.8. **Goodwill-**

The Company's area of activity is characterized by conservative customers and their demand for reliability and quality of the products.

Exit barriers from the market of activity:

9.7.9. **Product warranty -**

The Company grants a variable warranty for its products as of the date of installation. The Company's liability for provision of such warranty may constitute an exit barrier from the area of activity.

9.7.10. **Long-term engagements-**

The Company's management estimates that long-term contracts with customers will require long-term commitment to supporting the products.

9.8. Competition in the area of activity and substitutes for the Company's products

For details regarding the competition in the area of activity, see Section 16 below.

10. Products and services

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10.2. The Company's headquarters, which include the development and production laboratories, is located in Israel and operates various development groups in other places in the world, such as Ukraine, Belarus, France, Bulgaria, Russia and Switzerland. The Company also has commercial operations in North America, Central America, Europe and Asia. The Company manufactures its core technology itself, which constitutes most of the intellectual property and expertise developed by the Company.

10.3. As of the date of publication of the report, the Company has developed four products – G5 long duration UPS, REX (G5rx), BOX FOX (A5). The following are details regarding the Company's products:

G5

A. GenCell G5 Long Duration UPS –

A continuous backup system that provides long-lasting Back Up Power energy to critical sites in the economy that cannot tolerate power outages due to the high cost involved. The system can provide backup for full days and under any weather conditions (hurricane, typhoon, sub-zero temperature, extreme humidity). The fuel for this product is hydrogen gas. A unique feature of this product is its ability to operate using hydrogen of a purity level relatively lower than 99.99%. This capability enables the use of hydrogen which is much cheaper than hydrogen at a purity level of 99.99% required by most other fuel cells.

Target markets: hospitals, communication systems, financial institutions, automatic production lines, defence system and more. The product has been installed in 22 countries including Israel, USA, Canada, Germany, Mexico, Japan, Philippines and more.

As stated above, the Company received a permit from the Israel Electricity Authority to

[20] Presented by Hydrogen Europe Association. Hydrogen Logistics Webinar 06 10 2021

operate the G5 system for backup in a microgrid configuration (small local networks that enable smart power supply) in an essential facility constituting a first approval of its kind in Israel for a hydrogen-operated generator in the context of an experiment by remote monitoring of the system in a well-known hospital in Israel, which was concluded on January 4, 2021. For further details, see the Company's Immediate Report dated January 5, 2021 (Reference No.: 2021-01-001441). The above mentioned reference constitutes a generalization by way of reference.

This approval is a breakthrough for the Company and in the Company's estimate may enable the expansion of its activities in the hospital sector in Israel and around the world.

The solution, which was installed in one of the hospitals in Israel as a backup of essential medical facilities, represents a joint solution of the Company together with ABB Switzerland Ltd. ("**ABB**") during the reporting period, the division specializing in backup and development of international corporate protection systems, specializing, inter alia, in the development and production of uninterruptible power supplies and ancillary equipment, the integration of a common solution that combines the Company's fuel cell systems together with ABB's non-stop systems ("**Proposed solution**"). Subsequently, on December 21, 2021, the Company entered into an agreement with ABB, under which the parties would work to create a strategic partnership, in which ABB and the Company would work together in support of joint marketing efforts for hydrogen-based energy solutions, focusing on solutions that combine the Company's products with those of ABB. The proposed solution is designed to offer a reliable and continuous power supply over time, without interruption during short and long power outages and with no emissions. The common goal is to promote the mutual supply of reliable, long-lasting backup systems with zero emissions to complement and replace traditional diesel generators. The joint marketing activity will focus, inter alia, on the following market segments: trains, hospitals, commercial buildings, data centres and telecoms. For further details, see the Company's Immediate Report dated December 22, 2021 (Reference No.: 2021-01-112450). The above-mentioned reference constitutes a generalization by way of reference.

In the Company's estimate the collaboration with ABB may help introduce the Company's products into new market segments and is expected to shorten the time required for locating new customers and territories. Furthermore, the potential for a partnership with ABB will provide the Company the opportunity to strengthen its position in the global fuel cell industry, not only for backup systems but also for off-grid clean primary electricity. The Company also believes that the proposed solution may assist in promoting its business in

accordance with its objectives and strategy as set forth in Section 31 below.

For details regarding a strategic cooperation agreement signed with Deutsche Telekom in the framework of which the Company was recognized as an official supplier of Deutsche and the G5 system (as well as the BOX system) became a product approved for purchase by all Deutsche Group companies worldwide. Additionally, with regards the cooperation agreement, general framework terms for acquisition, including commercial terms applicable to potential acquisitions of the Company's fuel cells, see Section 29.10 below.

REX

B. GenCell REX (G5rx Utility Backup Power Solution)–

A system designed for use by power companies for the purpose of supplying backup energy (Back Up Power) and which was developed according to a characterization by a leading power company in California, USA. The product has met all the standards required to operate in a high voltage environment (500,000 volts) including the most stringent earthquake standard (IEEE 693 seismic standard) as well as the most stringent information security standards in the US. The fuel for this product is hydrogen gas. A unique feature of this product is its ability to operate using hydrogen of a purity level relatively lower than 99.99%. This capability enables the use of hydrogen which is much cheaper than hydrogen at a purity level of 99.99% required by most other fuel cells.

The system is designed for the energy and electricity infrastructure market and meets the required standards.

For details regarding the Company's winning tender conducted by CFEfor the supply and installation of 74 REXsystems in various configurations, seeSection 10.3 below.

C. GenCell Backup Operations eXtender (BOX)

BOX

In view of the growing demands of the telecoms market for technological applications producing and providing renewable energy, during the reporting period the Company launched the BOX system which provides long-term backup energy to critical and to

communications sites based on the Company's fuel cell technology. The BOX system has an output of 5 kilowatts, with long-term backup capability in extreme weather conditions. The BOX system can be installed efficiently and quickly by the Plug and Play method. During its operation, the BOX system produces clean energy without any CO2 footprint, without vibrations and without noise during operation. Also, the BOX system is designed so that it can interface with energy management systems in standard protocols of the global telecoms market (standard telecoms Energy Management System protocols). The BOX system has several operational advantages over the G5 system: a. Its footprint is approx. 25% smaller; b. Ability to operate in outdoor conditions; c. Significant reduction in the cost of the individual product while maintaining the product's performance level. Forfurther details, see the Company's Immediate Report datedSeptember 29, 2021 (Reference No.: 2021-01-081598). The above-mentioned reference constitutes a generalization by way of reference.

FOX

D. GenCell FOX (A5 Off-Grid Solution)–

A continuous and long-lasting power system which is intended for locations that are not connected to the power grid. The Company has developed an efficient system of 'cracking' hydrogen produced from ammonia as a liquid fuel, making it possible to convert ammonia into an efficient, clean and cheap source of hydrogen. This development enables the establishment in practice of a mini power plant that provides long intervals between refueling in remote areas that are not connected to the power grid and the generating of electricity at a cheaper price than electricity produced by internal combustion engines that use diesel fuel and/or diesel as fuel. This technology is designed to replace the internal combustion engines. The development of the dedicated ammonia cracker allowed the Company to present the FOX system as a solution for independent power supply outside the power grid.

The Company's FOX system, which is based on ammonia as a fuel , may be used in many settings, from power supply systems for communications, borders, schools and clinics that are disconnected from the grid, to completely independent electric vehicle charging systems that can be located regardless of power grid availability. The Company chose to start with the telecoms market as a primary market - a market estimated at approx. 300,000 cellular

antennas that are not connected to the power grid[21]. In the Company's estimate, each installation of one FOX system will over 10 years save approx. 500 tons of CO_2 emissions from diesel engines and operating expenses will decrease by tens of percent compared to use of diesel engines. It should be noted that as of the date of publication of the report, the FOX system is still in advanced stages of development and the Company commenced testing of the product outside its laboratories with partners and potential customers with the intention of starting initial commercial installations as early as 2022 and declaring it a commercial product during 2023. In this framework, during the reporting period and following the conclusion of the strategic agreement with the Icelandic media company Neyðarlínan ("**Icelandic Telecommunications Company**"), the Company installed the FOX system at one of the Icelandic Telecommunications Company's stations in order to test its operation in the Icelandic Telecommunications Emergency Communications sites. For further details, see Section 29.9 below.

Furthermore, the Company, together with Deutsche Telekom, began conducting a field trial of the FOX system in Israel. For further details regarding the strategic cooperation agreement with Deutsche Telekom, see Section 29.10 below.

11. Segmentation of revenue and profitability of products and services

The following is data on the distribution of the Company's revenues from products whose proportion constitutes 10% or more of the Company's total revenues in the years 2020-2021:

Product name	For the year ended 31.12.2021		For the year ended 31.12.2020	
	Revenue in thousand $	Rate of total Company revenue	Revenue in thousand $	Rate of total Company revenue
The REX system (including ancillary services)	5.226	100%	324	100%

12. New products and developments

12.1. The Company recognizes a growing demand for fuel cell-based technological applications in

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

the global market of energy production and supply, for an output exceeding the line of products available to date, at a capacity of 10 kilowatts. This fact requires the Company to invest in new research and development of fuel cells with greater output, in the range of 10 kilowatts. These new fuel cells are based on a new "fuel cell" module.

The fuel cell "module" is at the heart of the Company's technology and intellectual property. The purpose of said development is to significantly increase the energy density of the "module" while maintaining the existing size and weight parameters to the extent possible. Simply put, to double the output whilst maintaining the current size and weight and lower the cost of a KWunit. The success of said project will provide a response to the existing demand in the market for fuel cells with a capacity of approx. 10 kW in the Company's target markets such as the telecoms market. The Company plans to launch a new product called G10 as early as 2023. In the next phase the Company will seek to use the development of the new "module" as a springboard for developmentof applications that will require higher output by connecting several "modules" in parallel and thus support tens of kilowatts.

12.2. The use of ammonia is a key element in the Company's vision that seeks to make the availability of electricity clean and cheap. Production of industrial ammonia is based on a known process called "Haber-Bosch" which uses natural gas as a raw material to create ammonia. This process is currently behind most of the ammonia produced in the world. On the one hand it ensures a continuous supply of ammonia to agriculture and industry and on the other hand the production process is responsible for approx. 1% of all CO_2 emissions in the world. During 2021 the Company began to develop a green ammonia production process, under an environmentally friendly process where the energy source for generation of the ammonia is surplus energy currently produced in solar and water fields. The Company filed a patent application for this invention which is under review.

For details on the strategic cooperation agreement with TDK for the joint development of green ammonia, see Section 29.529.5 below.

In the Company's estimate, the development of this technology may change the face of the Company and enable it to become not only a supplier of end products but also a fuel supplier and/or the technology for fuel production (green ammonia), for the fuel cell market consuming ammonia and other ammonia consumers such as agriculture and industry, and this over a period of between 5-10 years. The Company estimates that the capability achieved in 2021 in the framework of development of the unique catalyst in which a direct process of converting water to ammonia is carried out without the need for an expensive electrolysis process, as part of the green ammonia development project it launched withTDK, will enable the Company to enter

the future fuel market with a unique competitive advantage. The Company expects that the completion of development of this product will take approx. 3 years.

12.3. The Company is examining the possibility of developing ammonia-based hydrogen refueling technology at gas stations, on the basis of the technology currently in its possession, with the goal being to convert existing gas stations into hydrogen refueling stations for vehicles and thus convert existing fuel stations into hydrogen fuel stations.

12.4. Electric vehicles are becoming common in many countries and according to estimates and publications around the world, by 2025, 16% of all vehicles in the world will be electric. This phenomenon already poses a significant challenge to the electricity infrastructure. Extensive investments will be required to deal with the demand for electricity during peak hours. The Company is seeking to adapt its products to become part of an independent electric system that will allow electric vehicles to be charged wherever the electricity infrastructure is insufficient or non-existent, as a substitute 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 establishing off-grid charging stations (autonomous systems).

For this purpose, on November 14, 2021, the Company entered into an agreement with EV Motors Ltd. ("**EV**"), an Israeli company, which operates, inter alia, in the import of electric vehicles, chargers for electric vehicles, production and storage facilities of electrical energy, and which serves as the sole representative in Israel of a number of companies, including Sun Surplus Energy Co. Ltd., a Chinese corporation specializing in the design, development, production and construction of advanced electrical energy production, storage and charging systems, including for electric vehicles. Under said cooperation agreement, the Company's systems producing electrical energy from hydrogen and/or clean, emission-free ammonia, will be integrated into EV's hybrid vehicle charging systems, with the aim of designing and establishing projects in Israel for charging electric vehicles using autonomous hybrid charging stations, disconnected from the national power grid and with the aim of replacing generators operating on fossil fuels ("**Project**"). For further details regarding the EV Cooperation Agreement, see Section 29.11 below as well as the Company's Immediate Report dated November 15, 2021 (reference number: 2021-01-097258). The above mentioned reference constitutes ageneralization by way of reference.

In the Company's view, if and to the extent that the project succeeds, it is expected to serve as international corroboration of the Company's ability to produce and provide clean and emission-free electricity solutions at hybrid autonomous charging stations, for charging electric vehicles disconnected from the national power grid. The Company also believes that presenting

positive results in the project may significantly advance the Company's position in the global electric vehicle charging market, especially in China, and may help promote the Company's business in its target markets to new customers in line with the Company's goals and business strategy. According to the Company, the project is expected to enable the creation of a new solution for clean emission free electricity supply for charging electric vehicles at autonomous charging stations. By 2030, the global electric vehicle charging market is expected to grow to approx. $ 207 billion[22], hence the Company estimates that the project is a first step in the Company's attempt to penetrate this market and market its systems and technology in the future.

12.5. During the reporting period, the Company advanced the development of a software called GEMS(GenCell Energy Management System) which is a unique software system for monitoring and managing an emergency backup energy system array. The system is based on reading the electrical loads in real time such as: essential systems, computer systems and any critical system using electricity and backup. The system checks the energy sources that are intended to supply the energy during a power outage. Moreover, the system can detect unplanned energy consumption which may exceed the existing energy reserve and send an alert in real time. The system can provide user with the backup status at any given moment and enable energy transfer. The system boasts an industrial communication interface system with high cyber endurance, and an ability to communicate with all types of network consumers connected to the backup system.

12.6. The Company believes that as a result of the multiplicity of energy sources already in use today (solar, wind, fuel cell, batteries, etc.) a software for management of energy sources and energy consumers shall have a significant impact on future customer decisions regarding the supplier of fuel cells and therefore will continue to improve and invest in GEMS energy management software in the foreseeable future as well. The Company continues to adapt its monitoring and IOT systems to interface with its customers' monitoring systems, the power companies and cellular companies' monitoring systems, whilst maintaining connectivity to leading broadcast equipment manufacturers.

The Company's assessments of its new products and developments and its strategic and business plans are forward-looking information within the term's meaning in the Securities Law. These assessments are based on the information currently available to the Company regarding its activities

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

and the assessments of the Company's management, and are not solely under the Company's control and may not materialize at all or may materialize in part.

13. Customers

Customer name	Revenue amount	Percent of total Company revenue in 2021	Customer description and the engagement
CFE	5,226,322	95%	During the reporting period, the Company won a tender conducted by CFE for the supply and installation of 37 G5rx systems adapted for work at transformer stations ("**Systems**") as well as installation, maintenance and warranty services for two years following completion of installation ("**Tender**"). For the purpose of the tender, the Company entered into an agreement with a local partner in Mexico under which the Company will bear responsibility for provision of the systems and that works related to their installation, maintenance and ongoing care shall be performed via the local partner and not by the Company, the local partner bearing all expenses in respect of the above services, with the total consideration expected for said systems being $ 5.8 million, divided between the local partner and the Company. Accordingly, the Company is entitled to a total of approx. $ 3.8 million for the supply of the systems, training of the local partner's employees, and support of the local partner throughout the service period. Under the agreement it was agreed that the local partner would collect the payments for the tender directly from CFE and transfer to the Company its share as aforesaid. As of December 31, 2021, approximately $ 3 million were transferred to the Company by the local partner, from payments it had collected from CFE and during the first

			quarter of 2022 an additional amount of approx. $ 1.3 million were transferred to the Company. In accordance with the terms of the tender, CFE increased the number of systems by a further 37 systems, thus a total of 74 systems to be supplied and installed, under the terms of the tender so that the total consideration expected for the tender is approx. $ 11.6 million of which $ 7.3 million is the Company's share (Approx. $ 3.5 million in respect of the additional systems as aforesaid). During the reporting period, the Company supplied all the systems to CFE and completed their testing under the tender. It should be noted that in view of delays in the installation of the systems, CFE offset a sum equal to 10% of the total tender consideration, so that the total consideration expected to be received by the Company under the tender is approximately $ 6.75 million. Also, as part of the preparation for the tender, it was agreed between the Company and the local partner that the Company would grant it a loan bearing an annual interest rate of 5% and as of December 31, 2021, the loan balance was approximately $ 2.6 million. It should be noted that the repayment of the loan depends on the payments received from CFE. As of said date, the local partner has a debt to the Company (which has not yet been collected from CFE) amounting to approx. $ 2.3 million for the products and services provided by the Company in the framework of the tender, such that the local partner's total debt to the Company as of December 31, 2021 stands at approx. - $ 4.9 million. In accordance with the terms of the tender, the Company provided a bank guarantee totalling $ 1.2 million. For further details, see the Company's Immediate Reports dated December 20, 2020, May 10, 2021, May 11, 2021 and August 17, 2021, 2021 (Reference No.: 2020-01-137091, 2021-01-081384, 2021-01-082731, and 2021-01-

			066232, respectively). The above mentioned references constitute a generalization by way of reference.

13.1. As of the date of publication of this report, and noting that the Company is a manufacturing technological company, the Company continues its efforts to market its products to potential customers, in accordance with strategic cooperation agreements as detailed in Section 29 below. In accordance with said agreements and as part of various pilot projects, aimed at introducing its products, the Company has, as of the date of publication of this report, installed approx. 100 products at its customers, such as: CFE, Delta, Horizan Power, SDG&E, Vodafone, ATCO, Israel Hospital, IEC and other customers. The Company's installed systems have so far exhibited high reliability under extreme weather conditions, at high altitudes and even during earthquakes.

13.2. The Company estimates that its future customers will include, inter alia, electricity companies, telecom companies, charging station companies for electric vehicles, as well as companies and areas that cannot tolerate prolonged power outages and are seeking to switch to long-term backup free of CO_2 emissions. The Company operates and intends to continue offering business collaborations, in which the Company sells and markets its products through companies that already operate in designated markets with complementary products.

13.3. Although the Company had a significant customer (CFE) in 2021 from which most of its revenue arose as of the date of publication of this report, the Company estimates that it is not dependent on said customer or on any of its customers.

The Company's assessments regarding its potential customers constitute forward-looking information within the term's meaning in the Securities Law. These assessments are based on the information currently available to the Company regarding its activities and the assessments of the Company's management, and are not solely under the Company's control and such business activity with such potential customers may not prevail.

14. <u>Marketing and distribution</u>

The Company has commenced controlled marketing of its products among strategic players in the target markets. The Company has a marketing, business development, customer support and sales system located in Israel with a presence in the US, Europe and the Philippines. The Company works

directly with end customers for direct sale of its products. The Company also works in collaboration with distributors and partners e.g. Swiss ABB for joint distribution of a technological solution for train signalling systems, backup for life-saving systems in hospitals, commercial buildings, data centres and telecoms. The Company estimates that in order to generate significant sales through such distribution channels, it will need to continue investing and establishing the knowledge among the sales people at the distribution channels and even present its products to potential customers. For details on the cooperation agreement with ABB, see Section 10.3above.

The Company's assessments regarding its penetration strategy, including marketing methods and collaborations, constitute forward-looking information within the term's meaning in the Securities Law. These assessments are based on the information currently available to the Company regarding its activities and the assessments of the Company's management, and are not solely under the Company's control and such business activity with such potential customers may not prevail.

15. Orders pipeline

The following are recognized revenue amounts expected from the current order pipeline according to periods (in dollars):

	Quarter 1 2022	Quarter 2 2022	Quarter 3 2022	Quarter 4 2022	2023	2024	Total
Order pipeline as of December 31, 2021	907.949	558.876	177.739	177.739	540.967	74.900	**2,438,170**
Order pipeline near the date of publication of the report	907.949	558.876	677.739	1,177,739	3,040,967	1,074,900	**7,438,170**

Segmentation of the order pipeline to quarters and forthcoming years was performed to the best of the Company's assessment on the basis of the data and information available to it as of the date of publication of the report, and constitutes forward-looking information, as defined in the Securities Law. This information may not materialize in the event of delays in the schedules determined for the execution of transactions and delivery of the products, which are independent of the Company or in the event that the terms for recognition of the revenue for their supply do not mature.

The order pipeline as of December 31, 2020 was approximately $ 4.5 million. Changes occurred in the order pipeline as a result of changes that occurred during the reporting period following

contracting with CFE as detailed in Section 13 above.

16. Competition

Leading analysts estimate that the hydrogen economy will account for approx. one-fifth of the total demand for energy by 2050, with a steady increase in demand for hydrogen to the tune of $ 2.5 trillion in revenue[23]. The global fuel cell based generator market has grown by 4% since 2014, and is expected to grow at an average annual rate of 21% by 2025[24].

According to industry estimates, the stationary fuel cell market is expected to experience growth of over 22% in the years 2018-2022 [25], while the total fuel cell market (stationary and mobile) will experience an annual growth of over 15% and is expected to reach a market share of $ 33 billion as early as 2027[26].

As stated in Sections 9.2.9 and 9.2.10 above, the market is characterized by high entry barriers and about 10 competitors with a significant volume of activity engaged in the development and production of fuel cells by various technologies (see details in this section below).

It should be noted that most of the fuel cell technology is currently used in PEMFC (Proton Exchange Membrane Cell[27]) technology followed by SOFC (high temperature operating fuel cells using methane gas marked CH_4[28] as fuel).

The Company deems companies manufacturing fuel cells based on Proton Exchange Membrane (PEM) (Proton Exchange Membrane Cell), which operates with a mixture of methanol/water mixture and (DMFC) Direct Methanol fuel cells, fuel cells running on methanol, as primary competitors of the Company's products.

Fuel cells in PEM technology require pure hydrogen for their proper operation. Such hydrogen is

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

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

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

[26] 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

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

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

expensive to manufacture, transport and store. Fuel cells in DMFC technology run on methanol, which is a chemical liquid required for production and dilution in designated facilities that are very limited in their distribution. Methanol is cheaper than pure hydrogen (which appears as a gas) and easier to transport and store because it isa liquid. However, DMFC fuel cells are more expensive, less efficient than PEM fuel cells and in the electricity generation process has a CO_2 footprint, i.e. does not produce clean electricity.

All of the Company's products, both those that run on hydrogen as a gas and those that run on ammonia, produce clean energy without anyCO_2 footprint. The Company's products installed at remote sites can operate on a 12–15-ton ammonia tank continuously for an entire year whilst the competing DMFC technology can operate on a methanol tank of up to 1 ton, which requires a monthly fuel supply (when operating continuously 24/7) whilst a FOX system installed on a site requires minimal frequency of fuel supply, even up to once a year thus achieving substantial operational savings. It should be emphasized that the use of methanol is not clean and produces CO_2 emissions.

The technological and economic value that the Company seeks to present with the FOX system may enable it to compete not only in the fuel cell market, but also in the diesel generator market. Diesel generators are currently the dominant technology. The Company intends to compete with diesel generators since FOX is designed to present a green solution, with minimal maintenance and most importantly already cheaper to operate in many countries around the world. In addition, the Company is seeking to significantly reduce the production cost of the FOX system by further technological developments related to cost reduction and an increase in production rate, which may increase its competitiveness in other markets and countries.

There are several players in the market focused on development of generators based on alkaline fuel cell technology, in addition to the Company, amongst which can be mentioned AFC Energy, which to the best of the Company's knowledge is in the early stages of product development. The market share attributed to this type of fuel cell was estimated to be close to zero in 2018 but is expected to grow significantly over the coming years [29].

The global market for fuel cell-based generators was estimated in 2019 at approx. $ 10 billion, with an annual growth rate of approx. 15% for the coming years (2027)[30]. The demand for a clean energy

[29] See footnote 6 above.

[30] 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

source serves as a central catalyst. Worldwide government involvement in the adoption of clean energy sources by providing assistance such as research and development support, tightening regulation against polluting sources and encouraging regulation for clean energy sources creates a convenient business framework for investments in this sector.

The Company's main competitors in the global market are: AFC Energy (traded on the LSE) Hydrogenic, (traded on Nasdaq), Ballard Power Systems (traded on Nasdaq), Plug Power (traded on Nasdaq), PowerCell AB (traded on a sub-exchange on behalf of NASDAQ - First North Growth Market), Proton Power Systems (traded on the 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 NYSE), Ceres Power (traded on the LSE - AIM), Fuel Cell Energy (traded on NASDAQ) and Doosan Fuel Cell America.

Companies like Ballard, Hydrogenic, Plug Power and Ceres Power have high integration across the value chain. Some of these companies have established themselves as key manufacturers. They focus on research and development activities for the development of fuel cell technologies. Mergers and acquisitions (M&A) are some of the key strategies adopted by market players.

In general, competition from PEM technology presents a significant competitive threat to implementation in the market for generators based on alkaline fuel cell technology. Concurrently, the Company's products have several advantages of operation and cost over PEM technology, as detailed below:

- ✓ <u>Savings in capital expenditures in the absence of the need for use of precious metals</u>-

  With the Company reaching production quantities and volumes similar to competing companies selling PEM fuel cells, the Company expects the cost of producing its fuel cells which are free of precious metals, to be more competitive in the market asdetailed above.

- ✓ <u>Savings on operating expenses as a result of using hydrogen extracted from ammonia-</u>

  The Company uses hydrogen Industrial grade (as well as ammonia used in the FOX system) compared to the pure hydrogen required for some fuel cells in PEM technology. The Company considers this to be of great advantage for two main reasons: (1) The greater availability of industrial grade hydrogen over its equivalent pure grade; And (2) Cost savings, since the cost of industrial grade hydrogen is between 30%-50% lower than that of pure hydrogen.

- ✓ Humidity-

  The fuel cell membrane in PEM technology is adversely affected by too high humidity (produces excess water) or too low (the membrane dries out), with these sometimes contingent on the general operating temperature of the fuel cell itself.[31] The Company's products on the other hand can withstand a relative humidity of up to 90%.

- ✓ Temperature-

  The electrolyte of a PEM fuel cell begins to crystallize at temperatures below zero and thus requires a pre-heating process to facilitate its operation. In contrast, the Company's alkaline fuel cell technology can operate at temperatures below zero without a pre-heating system. In the context of markets like North America and Asia known for very low temperatures, such advantages provide a good opportunity to increase demand for the Company's products relative to competing fuel cell technologies.

- ✓ Price advantage-

  After nearly a decade in which the Company developed its products, including the use of a platinum-free catalyst and use of ammonia as a source of hydrogen, completed local production capabilities, installed systems in over 20 countries, the Company is preparing to realize the potential price advantage afforded by its technology. Thus the Company continues to develop the future generations of its products with the aim of further discounting the product, increasing the generation of power per unit as well as continuing industrialization and automation of the fuel cells to reduce costs.

Increased competition in the alternative energy market in general and other fuel cell companies in particular motivates the Company to invest in research and development of innovative and improved products that are expected to offer a significant competitive advantage to both stationary and mobile markets thus enabling rapid commercialization and generating of sales revenue.

The Company already operates in various countries directly and conducts business activities through distributors and strategic partners such as partners in technology programs e.g. Hydrogen Europe and California Hydrogen Business Council and Ammonia Energy Association, with whom the Company works worldwide to promote fuel cell technology, partners in existing programs such as

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

African Hydrogen Partnership, through which the Company promotes the deployment of fuel cell products and renewable energy. For details on the cooperation agreements with ABB and Deutsche Telekom, see Section 29 below.

Along with the skilled manpower, unique knowledge and expertise accumulated by the Company over the years, together with the unique patents applied by the Company in its various products, the Company mainly operates directly vis-a-vis potential customers but also maintains business relationships with selected local distributors in different countries.

The Company has strategic partners, such as TDK, Deutsche Telekom and ABB who share a vision of clean energy supply. These strategic partners constitute a broad leeway for entry into new markets as well as for expansion of existing business activities.

17. Seasonality

In the Company's estimate, seasonality should not have a material effect on its financial results since the Company's products are not affected by weather conditions. The Company's products operate in all weather conditions, cold and hot and in extreme humid conditions. This ensures continuity of energy for its customers in all weather conditions. Accordingly, during the reporting period the Company shipped and installed the "5A" product at one of Icelandic Telecommunications Company's stations for testing and running, including examination of the product under extreme weather conditions. For further details, see Section 10.30 above). Moreover, the G5 system was successfully operated at a temperature of -44 degrees Celsius at a Canadian customer.

18. Production capacity

The Company's potential production capacity is approx. 200-300 units per year within 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 next five years in several stages and in accordance with the Company's current needs, up to approx. 5,000 units per year. In addition, the Company has increased the areas in which it currently conducts manufacturing and development activities at its place of residence (for more details, see Section 1919 below), in order to absorb additional manpower recruited by the Company to support its plans. Also, as of the date of publication of the report, the Company has purchased a number of production machines designed to support the increase in production capacity already during 2022.

The production lines are diverse lines, some completely automated and some requiring the involvement of operators. The Company plans to move the production lines to maximum automation

in order to improve productivity, lower and increase quality as part of an approved automation program.

The Company will seek to retain the production of its core technology only in order to preserve the intellectual property assets inherent in this division. Other parts of the product that do not carry any intellectual property and do not require specialization and do not contain the Company's core technology can be manufactured by various companies in Israel and abroad, near the target markets.

19. Fixed assets and facilities, equipment and primary means of production

The Company leases offices (as well as 30 parking spaces), laboratories and a production area over an area of approx. 3,000 square meters gross located in Petah Tikva ("**Leasehold**") in accordance with a lease agreement which may be renewed and amended from time to time ("**Lease Agreement**"). Under the lease agreement, the Company pays a monthly rent and management fees in respect of the leasehold amounting to $ 75 thousand (NIS 256,000) plus VAT and linkage differentials linked to the CPI. The lease agreement is valid until May 8, 2024 and includes an option for 2 additional extensions of 3 years each, by prior notice within the period specified under the lease agreement. To secure the Company's compliance with the lease agreement, the Company provided the lessor a bank guarantee for an amount equivalent to 4 (four) months' rent and management fees plus lawful VAT. It should be noted that a lien was registered in favor of a banking corporation against the bank guarantee, under which all rights and funds pledged or that may be pledged and accrued as funds in the Company account shall be encumbered for an amount equal to the bank guarantee. For further details regarding the guarantees and liens, see Note 9 to Chapter C of the Periodic Report.

On March 4, 2021, the Company entered into an additional amendment to the lease agreement to increase the leasehold area by a total of approximately 1,408 square meters, of which approx. 658 square meters for offices and approximately 750 square meters for production area ("**Amendment to the lease agreement**" and "**Addition to leasehold**", as the case may be). In respect of the addition to the leasehold, and following certain periods set forth in the amendment to the lease agreement in which the Company received discounts, the Company will pay monthly rent and management fees in respect of the addition to the leasehold amounting to approx. $ 29,668 (NIS 92,270) plus VAT and linkage differentials. It was further determined in the amendment to the lease agreement, that the bank guarantee amount would be increased accordingly. The remainder of the provisions of the lease agreement will apply to the leasehold addition. As of the date of publication of the report, the Company pays monthly rent and management fees in respect of the addition to the leasehold amounting to approx. $ 14,395 (NIS 44,770).

On February 1, 2022, the Company entered into an additional amendment to the lease agreement, according to which the leasehold area was increased by approx. 524 square meters, at a monthly cost of approx. $ 11,004 (NIS 34,060) plus VAT and linkage differentials, to be used for additional office space. It was further determined in the amendment to the lease agreement that the bank guarantee amount would be increased accordingly. The remainder of the provisions of the lease agreement shall apply to said addition.

The Company also leases an equipment warehouse in the leasehold building for a period ending October 7, 2022. Under the lease agreement, the Company pays monthly rent and management fees amounting to approx. $ 5,211 (NIS 16,208) plus VAT. As a security for its compliance with the agreement, the Company provided lessor with a bank guarantee amounting to approx. $ 15,000. As of the date of publication of the report, the Company is leasing approx. 5,724 square meters.

The fixed assets owned by the Company are equipment for production of fuel cells and testing of fuel cell systems. For further details regarding the fixed assets, see Note 10 to Chapter C of the Periodic Report.

20. Research and development

20.1. Grants

As of the date of publication of the report, grants to the Company have been approved by The Israel-United States Binational Industrial Research and Development Foundation ("**BIRD**") in respect of:

A. Project "Industrialization of a New Cathode for Next Generation Electrochemical Fuel Cells" ("**Project A**"); Cathode industrialization is required to proceed to mass production of the cathodes. Each of the Company's fuel cells has a large number of cathodes (approx. 400 units) and therefore the industrialization development was necessary to enable serial and quantitative production.

B. Project for development of ammonia cracker for AFC technology based on an innovative catalyst designed to work at low temperatures" ("**Project B**"). The FOX system has two main parts, the fuel cell (generator) which produces the electricity and the ammonia cracker. The ammonia cracker works by means of a catalyst which breaks down the ammonia into hydrogen and nitrogen. Both of these gases flow into the fuel cell, with hydrogen used to generate electricity and nitrogen being returned to the air. To develop the most efficient catalyst the Company chose a number of development routes to increase the probability of success, one route financed by BIRD.

(Hereinafter collectively - "**Projects**").

As of the reporting date, the total grants received from BIRD in respect of Project A amounted to $ 803,839 while the total grants received from BIRD in respect of Project B amounted to $ 378,415, so that the total grants received from BIRD in respect of the projects amounted to approx. $ 1,182,254.

It should be noted that during 2020, the Company decided that the results of Project B did not justify further development and accordingly announced the termination of Project B. The Company continues the development of a catalyst for low-temperature operation under parallel routes. This is common in R&D companies that operate several development routes concurrently.

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

The amounts committed in respect of the projects recognized in the Company's financial statements as of December 31, 2021, is $ 640,534.

20.2. Future development proceedings

The Company continues its development efforts that include, inter alia, improving the energy density of the electrode, continued development plans to reduce the cost of its products, development of green ammonia (ammonia production without any CO_2 emissions) (for further details on the strategic cooperation agreement with TDK for co-development of green ammonia, see Section 29.5 below) as well as for the further industrialization and automation of the production of the electrodes which serve as a key component. The introduction of industrialization and automation will improve costs and product quality. The Company has orderly plans for development of future products which are based on its current technology as well as development plans for new technologies in the Company's area of activity.

The Company anticipates that it will require an investment of approximately $ 17 million in favor of research and development activities in the coming year, which includes, among other things:

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

(2) Completion of the development of the FOX system;

(3) Development of a new dual-density fuel cell module leading to the "G10" product as early

as 2023;

(4) Research for development of a product that will produce green ammonia (ammonia without a CO_2 footprint - clean fuel), for a period of at least 2.5 years;

20.3. As of the date of the report, the net amounts spent on research and development amounted to $ 5,701 thousand.

20.4. The following is data regarding amounts invested in the Company's products and the milestones for their continued development (all data in thousands of dollars):

Product	Amounts invested in development	Development grants and repayment terms	The expected investment amount in the next 12 months	Milestones in the coming year	Milestones in the next two years	Milestones in the next 3-4 years
GenCell G5 Long Duration UPS (BOX)	24.797	804	1.963	BOX fully certified Q4 2022	G5.5 certified by CE and TUV – 4 2022	Certification of next BOX versions – Q1 2023 and Q2 2024
G10	925	-	3.695	G10 working prototype by end of 2022	G10 ready for certification by end of 2023	G10 certifyed by Q1.2024
GenCell FOX Off-Grid Solution	15.079	378	2.875	FOX pre commercial unit by Q1-Q2 2023	FOX precommercial unit CDR – Q1-Q2 2023 FOX precommercial unit assembly for tests and validation – Q4 2022	FOX commercial certificated by CE and TUV – Q4 2023 (delay due to impact of events in Belarus and Ukraine where our development and manufacturing partners are located)

The Company's assessments regarding the date of completion of any of the projects under development, including projects that have not yet begun and which the Company intends to implement, constitute forward-looking information within the term's meaning in the Securities Law. These assessments are based on the information currently available to the Company regarding its activities and the assessments of the Company's management, and are not solely under the Company's control and may not materialize at all or may materialize in part.

21. Intangible assets

21.1. Patents

21.1.1. The Company has an array of patents it has filed since its inception. The Company seeks to register patents in accordance with a strategy that will encompass the full relevant aspects of its products, taking into account the following considerations:

A. Creating value for the Company;

B. Attention to the expected schedule for approval of each patent application;

C. Protection of the Company's intellectual property;

D. Attention to the Company's vision and possible future development courses;

E. Blocking of potential competitors;

F. Cost and budget considerations.

21.1.2. The Company has 9 registered patents and 7 patents in the process of being examined. The Company's patents are registered in the United States, Europe and Israel.

21.1.3. The following is a table listing the Company's registered patents as of the date of publication of the report:

Patents	Description of patent	Patent rights	Filing date (priority date)	Expiration date	Countries relevant to the patent
Gas Diffusion Electrode and Process for Making Same (US Patent No. 9,966,609)	An Electrode that Enables the Diffusion of Gas and its	Owned by the Company	15.12.2015 (20.6.2013)	27.9.2034	USA

Patents	Description of patent	Patent rights	Filing date (priority date)	Expiration date	Countries relevant to the patent
	Production Process				
Scrubbing Device for Gas Used in a Fuel Cell and Method of Scrubbing Gas Using the Device (US Patent No. 10,530,001)	Gas Adsorption Facility for Use in a Fuel Cell and a Process for Gas Adsorption	Owned by the Company	15.11.2016 (19.5.2014)	16.3.2035	USA
Nickel-Based Catalyst for Fuel Cell (US Patent No. 10,522,844)	Nickel-Based Catalyst for Fuel Cell	Owned by the Company	24.4.2017 (18.3.2014)	3.8.2037	USA
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process (US Patent No. 10,450,192)	Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process	Owned by the Company	22.7.2016 (22.7.2015)	22.7.2036	USA
Low-Voltage Electric-Hydraulic Drive System for Electric Transportation (US Patent No. 11,028,863)	Low-Voltage Electric-Hydraulic Drive System for Electric Transportation	Owned by the Company	30.1.2020 (31.1.2019)	30.1.2040	USA
Gas Diffusion Electrode and Process for Making Same (Israeli Patent-243217)	An Electrode that Enables the Diffusion of Gas and its Production Process	Owned by the Company	17.12.2015 (20.6.2013)	19.6.2034	Israel
Scrubbing Device for Gas Used in a Fuel Cell and Method of Scrubbing Gas Using the Device (Israeli Patent-249000)	A Device for Adsorption of Gas for Use in a Fuel Cell and a Process for	Owned by the Company	16.11.2016 (19.5.2014)	18.5.2035	Israel

Patents	Description of patent	Patent rights	Filing date (priority date)	Expiration date	Countries relevant to the patent
	Scrubbing Gas Using the Device				
Scrubbing Device for Gas Used in a Fuel Cell and Method of Scrubbing Gas Using the Device (EU patent 3146583)	Device for Adsorption of Gas for Use in a Fuel Cell and Gas Adsorption Process Using the Device	Owned by the Company	21.11.2016 (19.5.2014)	18.5.2035	Germany, France, Great Britain and Italy
Gas Diffusion Electrode and Process for Making Same (EU patent 3011625)	An Electrode that Enables the Diffusion of Gas	Owned by the Company	9.12.2015 (20.6.2013)	19.6.2034	Germany, France, Great Britain and Italy

21.1.4. The following is a table detailing the Company's patent registration applications as of the date of publication of the report:

Patent Applications	Description of patent	Rights in patent application	Patent filing date (priority date)	Expiration date	Countries relevant to the application
Method for the Electrochemical Synthesis of Ammonia and Apparatus for Carrying out the Method (US Provisional Application-63/261,615)	Process for the electrochemical synthesis (combination) of ammonia and a device for performing the process	Owned by the Company	24.9.2021	Depends on the dates of follow up applications, the date of receiving the patent and patent term adjustments terms	USA
Nickel-Based Catalyst for Fuel Cell Anode (PCT/US20/55738)	Nickel-Based Anode for Fuel Cell	Owned by the Company	15.10.2020 (18.10.2019)	15.10.2040 (or later date pending on grant date and patent term adjustments terms)	PCT (filed in USA)

Patent Applications	Description of patent	Rights in patent application	Patent filing date (priority date)	Expiration date	Countries relevant to the application
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process (PCT/US2021/27983)	Thermal Decomposition Process of Ammonia and Reactor for Carrying out said Process	Owned by the Company	19.4.2021 (27.4.2020)	19.4.2041 (or later date pending on grant date and patent term adjustments terms)	PCT (filed in USA)
Nickel-Based Catalyst for the Decomposition of Ammonia (EU patent application 16747045.9)	Nickel-Based Catalyst for the Decomposition of Ammonia	Owned by the Company	4.8.2017 (3.2.2015)	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)	Thermal Decomposition Process of Ammonia and Reactor for Carrying out said Process	Owned by the Company	6.2.2018 (22.7.2015)	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 the Decomposition of Ammonia	Owned by the Company	31.7.2017 (3.2.2015)	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)	Thermal Decomposition Process of Ammonia and Reactor for Carrying out said Process	Owned by the Company	18.1.2018 (22.7.2015)	22.7.2036 (or later date pending on grant date and patent term adjustments terms)	Israel

21.1.5. The filing of applications and the management of aforesaid patents was accompanied by professional advice and guidance and was carried out on the basis of the information that had already been published prior to the date of the applications, in order to provide the Company with adequate proprietary protection in relation to most of said patents.

21.1.6. As of the reporting date, the Company has invested a total of approx. $ 300,000 in patent registrations.

21.1.7. The Company has a clear patent registration strategy, in the framework of which it ensures the registering of innovative items as patents, which in the Company's opinion can provide it with a significant advantage and generate value.

21.2. Additional intangible assets

As of the date of publication of the report, the Company has one trademark registered in Israel and 3 in China, in relation to the Company name (GENCELL). Trademarks in Israel are registered for a fixed period of 10 years from the date of submitting the application for their registration and may be renewed at the termination of such period. In accordance with its needs, the Company periodically submits applications for registration of trademarks and extension of its registered trademarks. As of the reporting date, the Company is not aware of any infringements of the trademarks registered in its name.

Furthermore, as of the reporting 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 an intellectual property management and retention strategy, part of the Company's intellectual property is protected as a trade secret. The Company takes commonly used measures in the industry to protect its trade secrets, including physical protections in the Company's plant, fulfillment and maintenance of compartmentalization procedures within the Company's plant and confidentiality procedures as well as cyberspace defence (defined by the Company as a unique risk factor, as specified in Section 34.3 (E) below).

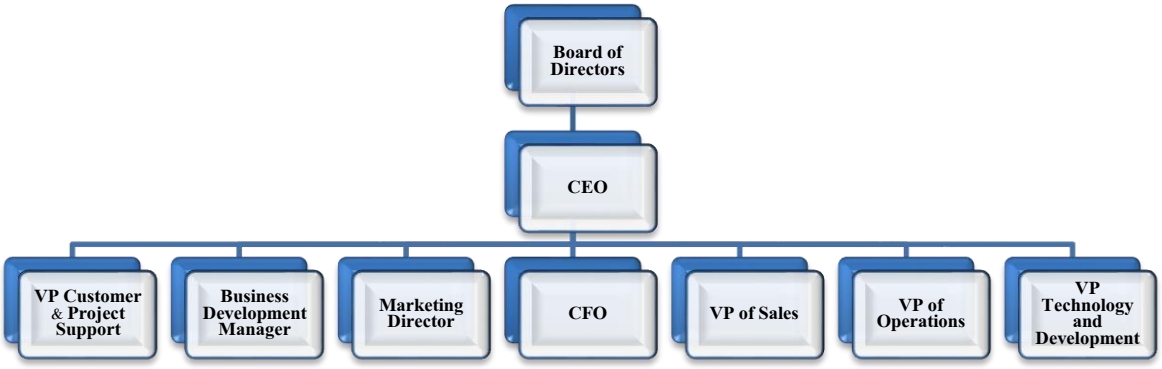
Up until December 31, 2020, the Company did not record any intangible assets in its financial statements, instead recording all investments and expenses pertaining to research and development of the Company's assets as an expense. As of January 1, 2021, the Company has concluded that the conditions for capitalizing development expenses have matured in accordance with the provisions of International Accounting Standard 38 (IAS 38) which deals with intangible assets, and this in respect of three main projects:

1. Development of the FOX system;
2. Development of the BOX system;
3. Development of the G10 system;

Accordingly, as of the reporting date, the Company has capitalized development costs for an intangible asset at approx. $ 5,126 thousand.

22. Human capital

22.1. Diagram of the Company's organizational structure



22.2. Employees

As of the reporting date, the Company has approx. 129 employees (as of the date of publication of the report approx. 135 employees), including world experts in the field of alkaline fuel cells, including veterans of space programs and submarines. The Company's human capital represents a generational combination of scientists with decades of experience in the field of alkaline fuel cells, cumulative experience in leading fuel cell companies in the world along with a young and promising generation of scientists, chemists, electrochemists, engineers and technicians working at the Company. The Company has over 10 PhD scientists.

As of the date of publication of the report, most of the Company's employees are employed by individual employment agreements. The employment agreements include, inter alia, an undertaking regarding confidentiality, non-competition and protection of the Company's intellectual property rights from a third party and as the Company's exclusive property. The terms of employment include, among other things, entitlement to vacation, convalescence allowance

and other social benefits by law. These employment agreements are, for the most part, for an indefinite period with each party entitled to terminate the agreement by prior notice by law, with the exception of exceptional cases that allow for immediate termination as set forth in the agreement.

The following table details the Company's employees (by positions) as of December 31, 2020 and 2021:

Area of activity	As of the date of publication of the report	on December 31, 2021	On December 31, 2020
Research and development	72	71	54
Production	24	18	5
Operation	6	5	3
Customer Support	6	4	3
Marketing	3	3	3
Sales	10	10	7
Management and Administration	8	8	7
Finance	6	6	3
Total	**135**	**125**	**85**

22.3. Dependence on key figures

As of the date of publication of the report, the Company estimates that it has a material dependence on Mr. Gennadi Finkelshtain, the Company's VP of technology and development, since the termination of his activities in the Company may adversely affect the Company's operations and business results, owing to his seniority and vast experience gained during his years of serving the Company. In the Company's estimate, said dependence will diminish as the Company's products penetrate the relevant markets.

22.4. Remuneration for employees and officers

The Company usually rewards employees for a special effort or special project they have performed. Such rewards are granted according to a decision of the Company's management and

not on fixed dates. Rewards are usually not part of employees' terms of employment. In determining the grant amount, a number of factors are taken into account, such as the employee's role in the Company, its areas of responsibility, contribution to the Group's activities, etc. Also, on November 8, 2020, the Company's Board of Directors and the General Meeting of the Company's shareholders approved the adoption of a remuneration policy of the Company's officers ("**Remuneration Policy**") in accordance with the provisions of Regulation 1 of the Companies Regulations (Relief regarding duty to determine a remuneration policy), 5773-2013, the Company is exempt from a remuneration policy pursuant to Section 2A of the aforesaid regulations. In accordance with the above regulations, a remuneration policy will be subject to approval only five years from the date the Company became a public company. As of the date of publication of the report, the terms of office of all officers in the Company comply with the provisions of the remuneration policy.

22.5. **Plan for allocating options to employees and officers ("Options Plan")**

For details regarding the terms of the options plan, including allotments and redemptions made thereunder during the reporting period, see Note 17 to Chapter C of the Periodic Report.

22.6. Consultants

As part of its activities, the Company is assisted by the services of a number of consultants on the basis of a variable salary that includes, inter alia, brokerage fees or success-based fees, all depending on the nature of the consulting services provided to the Company. The Company receives consulting services for the purpose of penetrating the relevant markets, vis-a-vis regulatory bodies, research and development services, including patents, etc. As of the date of the report, the Company's total expenses in respect of consultants' fees and professional services totaled approx. $ 1,343 thousand.

22.7. Senior officers and management

For details regarding the terms of office and employment of senior executives in the Company, including directors, see Regulation 21 of Chapter D of the Periodic Report.

23. Raw materials and suppliers

The main raw materials used to manufacture the Company's fuel cells are as follows: a catalyst built on carbon and nickel components, nickel mesh, conductive plastic, aluminum frame, various electronic elements, electronic circuits and machined items and polypropylene castings.

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

Machining is performed by subcontractors approved for this purpose by the Company's quality assurance department.

Polypropylene castings are mainly purchased in Turkey.

The delivery times of the raw materials vary depending on the duration of their production and availability and run between 4-16 weeks. It should be noted that during the reporting period, the Company had to contend with shortages in raw materials and various products necessary for maintaining orderly production processes of its systems and also experienced logistical difficulties in receiving such raw materials and shipping its products to its customers overseas. Also, as a result of delays and difficulties in shipping and logistics around the world, there has been a significant increase in the shipping costs of its products.

To address these issues, the Company has approved a forward-looking inventory plan under which the Company holds inventory of parts for varying periods, to enable it to prepare for solutions or locating of alternative suppliers in case of technical or other faults or in the event of supply issues from any of its suppliers.

In view of the continued global complexity in the supply of parts and raw materials the Company invests considerable efforts in expanding the number of manufacturers per item to ensure availability of such items and their price. The Company controls the entire production chain and works with a number of alternative suppliers for each item to ensure continuity in the supply of items it requires. In cases where there is a single supplier, the Company acquires a security stock that should be sufficient for a period long enough to enable the locating of a suitable alternative or enable the development of in-house production capacity of such product and hence, as of the reporting date, the Company is not dependent on its suppliers.

In general, procurement is carried out in accordance with management decisions following an S&OP process, which takes place frequently and routinely. On the basis of the S&OP process, a number of quotations are received and performed, except for a number of primary components that are purchased according to a price list set for the Company and with its consent.

As of the date of reporting, the Company is investing resources and addressing delays in delivery and dispatch times of raw materials and system components in order to prevent delays in the sale of its products to its customers

It should be noted **that the production of the Company's products meets strict inspection terms, with the Company holding quality standards** for the production processes (ISO9001: 2015) and strict quality and safety standards for the product (TUV, CE, IEC, IEEE).

The Company believes **that it is not dependent on any of its suppliers, this owing to the existence of other suppliers in the market who can supply the product components and perform the same work at the Company's discretion, or as circumstances may require of it.**

24. Working capital

The following is the composition of the Company's working capital:

	The amount included in the financial statements as of December 31, 2021 ($ thousands)	The amount included in the financial statements as of December 31, 2020 ($ thousands)
Current assets	60,497	67,906
Current liabilities	6,346	3,822
Surplus of current assets over current liabilities	54,151	64,084

The Company's primary working capital components:

24.1.1. Inventory

The Company tends to maintain an inventory level enabling it to deliver to its customers within a reasonable time span of 3-6 months, depending on the sales expectations involved in various projects. As of the date of the report, the Company's inventory level is approximately $ 1.5 million. As of the date of publication of the report, in light of delays in the global supply chain and in view of the supply of the systems to CFE, the Company does not meet inventory levels in finished products in accordance with its policy. The Company estimates that it will supplement its inventory levels during the second quarter of 2022.

24.1.2. Customer credit and supplier credit

A. Customer credit:

As of December 31, 2021 and December 31, 2020, the credit provided by the Company to its customers amounted to approx. $ 2,347 thousand and approx. $ 44 thousand, respectively.

Credit terms for customers usually range between cash and net 30 payment terms. Concurrently, there may be cases, usually large projects and tenders, where the Company grants longer credit terms accordingly, under terms dictated by the customer. Thus, for example, as part of the CFE Mexico transaction, the Company granted net 120 payment terms.

B. Supplier credit:

As of December 31, 2021 and December 31, 2020, the Company's supplier credit amounted to approximately $ 1,826 thousand and approximately $ 414 thousand, respectively.

24.1.3. The credit period granted to the Company by its suppliers is net 30 payment terms.

24.1.4. **Convertible loans**

During the years 2019 - 2020, the Company received loans from its shareholders convertible into various classes of Company shares. It should be noted that during the reporting period and up until the completion of the issuance of shares to the public under the prospectus and their listing on TASE, all of the above convertible bridging loans have been converted to capital and as of the reporting date there are no convertible loans in the Company.

24.1.5. **Balances with Company's shareholders**

Aforesaid balances consisted mainly of loans granted to the Company by the founders and brother of one of them as well as debts in respect of unpaid wages to the founders. Said balances bore an annual interest rate of 3%.

It should be noted that upon completion of the issuance of the shares to the public under the prospectus and their listing on TASE, the Company repaid the above amount from the issue proceeds.

25. Financing

25.1. The Company finances its operations from the proceeds of its IPO under a prospectus dated

November 2020, the additional public offering of its shares under an off-the-shelf offer report dated April 2021 published under the prospectus dated April 2021 and a private offering to institutional investors dated January 2022 by way of a substantial private offering pursuant to the Securities Regulations (Private Offer of Securities in a Listed Company), 5760-2000. For further details, see Section 5 above.

25.2. In the Company's estimate, it will not be required to raise additional resources to cover the operation of its business in the next 12 months.

25.3. The Company is considering expanding its operations from time to time, hence it may raise additional funding as required. For details on financing provided to the Company by the BIRD Fund, see Section 29.3 below.

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

26. Taxation

For details regarding the tax aspects applicable to the Company, see Note 29 to Chapter C of the Periodic Report.

27. Environmental risks and their management

27.1. The Company considers the preservation of the environment, the prevention of damage to the environment and strict adherence to maximum safety in all aspects of its business activity to be of paramount importance. The Company invests a great deal of time and resources in achieving this goal. However, the Company's activities and business entail a number of environmental risks arising from the possibility that its activities may lead to various environmental damages. In order to deal with such environmental risks, the Company seeks to increase safety in the context of its various activities and to comply with binding legal provisions in this regard.

27.2. The Company's fuel cell systems produce clean energy without emitting any pollutants or toxins. However, fuel cell systems based on hydrogen and ammonia inevitably carry certain environmental risks.

27.3. Hydrogen is the lightest element used in industry, transportation, space missile propulsion and research laboratories. Hydrogen is the most abundant element in nature and makes up approx. 0.76% of the earth's mass. However, a number of hydrogen-related hazards must be addressed due to its properties as a gas: it is colorless and odorless, making it difficult to detect a leak, it has low ignition energy so that hydrogen concentration in a particular place above the allowable

volume limit, when exposed to an electrical (spark), may lead to an uncontrolled release of high energy (explosion). The Company operates according to the regulation and existing standards for storage and use of hydrogen, the hydrogen is stored in sealed and secure tanks which include a safety valve for rapid release of hydrogen in the event of a malfunction. The storage containers are in a location exposed to the open air, so that in case of an unexpected leak of hydrogen gas, the hydrogen, being lighter than air, will quickly move into the atmosphere, unhindered.

27.4. Ammonia is a nitrogen and hydrogen compound and its formula is NH_3. Ammonia is one of the most common and important industrial chemicals in the world. Its primary use is as a raw material in the fertilizer industry, and in the production of nitrogen compounds. Ammonia is also found in our bodies and has numerous other uses: as a raw material for the production of various substances and products, such as nitric acid, plastic products, detergents, explosives, synthetic fibers in the textile industry, as a catalyst for the production of synthetic resins, in water treatments, fertilizers, fuels, refrigeration in industrial facilities and more. In industry most of the ammonia is produced from natural gas. Ammonia is a toxic substance that can cause various health effects including death. Exposure to ammonia can cause irritation to the eyes, respiratory system, digestive system and skin. The degree of damage of the substance to the body depends on the duration of exposure and its concentration. Long-term damage may be caused as a result of exposure to a high concentration for an extended period. Ammonia is defined in the Hazardous Substances Law as a hazardous substance. A material safety data sheet (MSDS) serves as a kind of identity card for a hazardous substance and lists risks and safety operating instructions with such substance. Under standard pressure and temperature conditions, ammonia is a colorless, pungent-smelling gas. Ammonia gas is lighter than air and has a very high solubility, so water is an excellent means of neutralizing ammonia in the event of a leak. Strict safety rules are therefore required when manufacturing, transporting, storing and using this substance. The Company operates in accordance with existing regulations and standards for the transportation, storage and use of ammonia.

27.5. As a rule, the Ministry of Environmental Protection is the body responsible for regulating the use of hazardous substances in Israel, including ammonia. Such authority is granted to the Ministry of Environmental Protection by virtue of the Hazardous Substances Law, as specified in Section 9.2.1 above. In this context, the Ministry of Environmental Protection provides guidance for all persons involved in hazardous substances in Israel and with regards to their activities in the field, including storage, sale, transportation, and use, and users must act in accordance with said legal provisions. For further details, see Sections 9.2.3 and 9.2.4 above.

27.6. The Company constantly seeks to implement and comply with the provisions of the law and

regulations applicable thereto, including the provisions and guidelines of the Ministry of Environmental Protection, the Ministry of Energy and Environment, and holds the required toxin permit. Moreover, the Company is in constant contact with the local authorities relevant to its activities as well as with any other relevant authority, all for the purpose of preventing damage to the environment and minimizing potential environmental risks.

27.7. The Company operates in accordance with various internal procedures of the Company regarding environmental risks such as: safety and hygiene procedure (prescribing the behavior of workers in hazardous substance environments), procedure for plant visitors, procedure for subcontractors on the Company site, chemical waste disposal procedure, and more. Furthermore, the Company has set up a well-equipped emergency team (which includes, among other things, protective suits, breathing systems, gas masks, etc.) whose function is to act in the event of a leak according to procedures, to prevent environmental damage by the hazardous substances used by the Company.

27.8. As of the date of publication of the report, insofar as the Company operates under the above regulations and regulation, the Company is not aware of any material environmental risks related to its activities and no material environmental incidents have occurred. Therefore, the Company estimates that the provisions relating to environmental protection will not have material effects in respect of which it may be required to invest or bear any investment or expense, nor does it estimate that this will have an impact on its profitability and competitive position in the near future.

28. Restrictions and supervision of the corporation

As of the date of publication of the report, the Company is a recognized supplier of the Acquisition Manager in the Ministry of Defense at an A rating (the highest rating, suppliers performing design and development (design and development of products) as well as production including quality/non-quality cost analysis.

For further details regarding the permit from the Electricity Authority and the Ministry of Health to operate the system in an essential facility for a hydrogen-powered generator, see Section 8.6 above.

For further details regarding restrictions and supervision of the Corporation, see what is stated in Section 9.2 above.

29. Material agreements and cooperation agreements

29.1. **Development and Cooperation Agreement dated July 1, 2017 between the Company and San Diego Gas & Electric Company ("SDGE")**

29.1.1. This agreement (subject to the law of the State of California) is a collaborative project for the development, execution of additional testing and marketing of the Company's technology - as a backup for transformer facilities ("**Project**"). In the framework of said project, SDGE undertook to serve as a "model site" for the Company's technology for the benefit of other potential customers.

The Company undertook, inter alia, that SDGE would be entitled to purchase all of the Company's products at a preferential price as well as receive royalties from the Company based on sales of the Company's "REX (G5rx)" products to other U.S. power companies (excluding sales to SDGE or any company affiliated to Sempra Energy).

As of the reporting date, SDGE did not meet the threshold for purchases of the Company's REX products and therefore is not entitled to said royalties.

As of the reporting date, the agreement has expired and is no longer valid. However, some sections of the agreement survive its termination under its terms, thus they remain in force, including SDGE's right to purchase the Company's products at a preferential price, right to receive a 25% discount on extended support services and SDGE's entitlement to royalties as set forth above.

29.2. **Cooperation and project financing agreement dated February 12, 2018 between the Company and BIRD**

29.2.1. This agreement sets out the terms and conditions for the granting of funding by the BIRD Fund to the parties in connection with development of an ammonia cracker for AFC technology based on an innovative nano-catalyst designed to work at low temperatures ("**Project**").

29.2.2. Subject to the terms of this agreement, the BIRD Fund will provide the parties with a maximum funding equal to the lower of (a) $ 885,000; Or (b) 50% of the actual project expenses. As of the reporting date, the financing by the BIRD Fund amounted to approx. $ 378,415.

The contingent grant will be repaid in U.S. dollars at a rate of 5% of the gross sales of the product or a commercial product subject to development. The maximum amount of the contingent grant repaid to the BIRD Fund by the parties shall not exceed 150% of the actual

grant granted.

29.2.3. In the event of a license agreement signed between any of the parties to the agreement and/or parties affiliated thereto and any third party, such party will pay the BIRD fund an amount equal to 30% of all payments received under said license agreement. Such payments together with any other refund shall not exceed the maximum refund percentage (150%).

29.2.4. In the event that none of the following occurs: (a) Generation of gross sales, (b) Sale (as set forth below) to a third party, or (c) Product licensing under a license agreement - Participants will have no obligation to make any repayment to the BIRD Fund.

29.2.5. Any transfer of ownership of the intellectual property and/or technology relating to the product and/or the product itself (which was developed via the grant provided by the BIRD Fund), in whole or in part, to any third party, and this prior to full repayment to the BIRD Fund, requires the prior written consent of the BIRD Fund. As for any proposed sale, the parties will issue prior notice to the BIRD Fund detailing the terms of such relevant sale. The agreement stipulates terms for a refund in the event of a partial or full sale of the developed product.

29.2.6. The agreement grants rights to the governments of the United States and Israel to manufacture or sell the developed product for governmental purposes under certain terms set forth in the agreement.

29.2.7. In addition, the Government and the BIRD Fund reserve the right to use without charge, the product and technical information, data, knowledge and intellectual property arising from or developed under this agreement for any non-commercial purpose.

29.2.8. The agreement (to which the laws of the State of Illinois apply, and disputes regarding the agreement, which may be heard in Israel or in the State of Washington) enters into force on January 1, 2018. Development work under the agreement will be concluded 24 months following its effective date.

29.2.9. In the context of the project, on October 9, 2017 a joint development agreement was signed between the Company and the partner in the American Energy Technologies Company project. The agreement regulates the division of fact and responsibility of the parties in the project and the intellectual property rights in the products of the project.

29.2.10. In February 2020 the Company decided that the project results did not justify further

development. Accordingly, the Company notified the parties of the termination of the project.

29.3. **Cooperation and project financing agreement dated April 13, 2014 between the Company and BIRD**

29.3.1. This agreement sets out the terms and conditions for the granting of funding by the BIRD Fund to the parties in connection with the project "Development and industrialization of a new cathode for next generation electrochemical fuel cell generator" ("**Project**").

29.3.2. The BIRD Fund will provide the parties with a maximum funding equal to the lower of (a) $ 900,000; Or (b) 50% of the actual project expenses. As of the reporting date, the financing by the BIRD Fund amounted to approx.$ 803,839.

29.3.3. The conditional grant will be repaid in U.S. dollars at the rate of 5% of the gross sales of the product or a commercial product subject to development. The maximum amount of the contingent grant repaid to the BIRD Fund by the parties shall not exceed 150% of the actual grant.

29.3.4. In the case of a license agreement to be signed between any of the parties to the agreement and/or parties affiliated thereto and any third party, such party will pay the BIRD fund an amount equal to 30% of all payments received under said license agreement. Such payments together with any other refund shall not exceed the maximum refund percentage (150%).

29.3.5. In the event that none of the following occurs: (a) Generation of gross sales, (b) Sale (as set forth below) to a third party, or (c) Product licensing under a license agreement - Participants will have no obligation to make any repayment to the BIRD Fund.

29.3.6. Any transfer of ownership of the intellectual property and/or technology relating to the product and/or the product itself (which was developed via the grant provided by the BIRD Fund), in whole or in part, to any third party, and this prior to full repayment to the BIRD Fund, requires the prior written consent of the BIRD Fund. As for any proposed sale, the parties will issue prior notice to the BIRD Fund detailing the terms of such relevant sale. The agreement stipulates terms for a refund in the event of a partial or full sale of the developed product.

29.3.7. The agreement grants rights to the governments of the United States and Israel to manufacture or sell the developed product for governmental purposes under certain terms

set forth in the agreement.

29.3.8. In addition, the Government and the BIRD Fund reserve the right to use without charge, the product and technical information, data, knowledge and intellectual property arising from or developed under this Agreement for any non-commercial purpose.

29.3.9. The agreement (to which the laws of the State of Israel apply, and disputes regarding the agreement which may be heard in Israel or the State of Washington) enters into force on August 1, 2013. Development work under the agreement was completed on August 1, 2015.

29.3.10. In the framework of the project, a collaboration agreement was signed between the Company and Innovative Machine Corp. on January 22, 2014. The agreement stipulates the division of responsibilities and the application of the development between the parties in the project. The budget of the parties in the project was also determined. The agreement further stipulates that the Company will be responsible for the sales of the developed product and will therefore bear all repayment liabilities to the BIRD Fund, also from Innovative Machine Corp.

29.3.11. As of the date of the report, the Company has paid royalties to the BIRD Fund amounting to $ 17,000.

29.4. **Agreement dated October 1, 2018 between the Company and Prifer-Technical Molds SA ("Prifer")**

A framework agreement for the supply of injection machines by Prifer to the Company in the context of the "Electrode Frame" project, under which payment terms, prices and technical specifications were prescribed. As of the date of the report, the Company purchased one injection machine from Prifer. As of the date of publication of the report, the final steps are being concluded in the running and testing of the machine and the Company is due to receive said during the first half of 2022. An injection machine will help the Company produce the electrodes at a higher rate and will support the production of the Company's BOX and G10 electrodes.

29.5. **Strategic cooperation agreement with TDK**

On February 22, 2021, the Company entered into a framework agreement ("**Agreement**") with TDK for TDK's participation in the Company's "Green Ammonia" project which aims to develop a product that enables the production of "Green Ammonia" (Ammonia production without any CO_2 emissions) ("**Project**"). The project will be carried out in three development phases, with

regards to each of which the Company will sign a specific project agreement with TDK (the first phase already signed). Under the agreement, TDK will participate in financing part of the project costs amounting to approx. one and a half million US dollars, subject to meeting certain development goals. Under the agreement, all intellectual property developed in the project is exclusively owned by the Company. In return for financing and within the strategic cooperation set forth in the agreement, TDK will be entitled, inter alia, to receive updates and reports (from time to time) regarding the progress of the project and its products, first right to examine and acquire a prototype product within the project (on the dates specified in the agreement) as well as first right to negotiate a commercial agreement pertaining to the project products in Japan and other territories as may be agreed upon, which may include sales rights, production, service and/or license on an exclusive basis (on the dates and terms set forth in the agreement). During the reporting period, the Company received an initial payment of approx. $ 483,000 in respect of the first phase of the project's development objectives. On February 27, 2022, the Company informed TDK that it had reached a significant scientific breakthrough that enables the production of green ammonia directly from water at very low pressure and temperature relative to the ammonia production processes currently known in the world. Accordingly, TDK informed it, having examined said breakthrough, that it intended to exercise its right and continue to invest in the project under the terms of the agreement, for the purpose of further developing the project in the context of the next milestone. For further details, see the Company's Immediate Report published on February 27, 2022 (Reference No.: 2022-01-019386). The above-mentioned reference constitutes a generalization by way of reference.

29.6. For details regarding the Company's winning of the tender conducted by CFE for the supply and installation of REX systems, see Section 15 above and Note 14 to Chapter C of the Periodic Report.

29.7. For details regarding owner loans provided by the founders and the brother of one of them, see Section 11B.1 of Chapter D of the Periodic Report.

29.8. **Horizon 2020 Project Participation Agreement**

During 2020, the Company entered into an agreement with the EUROPEAN COMMISSION ("**Organization**"), which entered into force in November, 2020, under which the Company would participate in the Horizon 2020 project in collaboration with a number of different entities from around the world. The agreement stipulates that a number of tests of technologies and/or materials developed by members of the organization will be performed using the Company's systems and that the organization will bear all its expenses related to conducting the above experiments, amounting to EUR 355,625 (approx. $ 422,409) which would be spread over a period

of two years. As of the date of reporting, the Company has received reimbursement of expenses amounting to approx. EUR 213,375 (approx. $241,327).

29.9. **Cooperation agreement with the Icelandic media company**

On January 7, 2021, and further to an existing contract, the Company reached an agreement with the Icelandic Telecommunications Company which operates an emergency communications services center in Iceland through hundreds of communications sites, under which the Company would install and operate its FOX product for the purpose of testing its operation in the Icelandic telecommunication's emergency sites. It was further determined between the parties that if and to the extent that the above installation meets the threshold terms specified in the agreement, the Icelandic Telecommunications Company will examine the acquisition of additional product systems for its stations. Under the agreement the Company committed to operate the FOXsystem for 1000 hours continuously and autonomously. During May and June 2021, in light of the experiment's favourable results, the Company and the Icelandic Telecommunications Company decided to extend the duration of the experiment and continue operating the FOX product to 1,500 hours continuously and autonomously and in that to become the longest operational fuel cell in the world, whilst producing hydrogen independently from ammonia (without any connection to the power grid) and providing green, clean and economical electricity around the clock and in changeable weather conditions. In light of the foregoing, the company and the Icelandic Telecommunications Company have reached an agreement according to which the parties will examine the operation and installation of the product in extreme weather conditions during the winter months (November 2021 - January 2022) (In the arctic region) ("**Additional installation**"). As a result of various delays (mainly logistical issues) said installation was slightly delayed and will be executed during the first half of 2022. It was further agreed that prior to the additional installation, the parties would conduct negotiations for the acquisition and operation of the product systems at the Icelandic Telecommunications Company's stations. It should be noted that the engagement between the parties is being endorsed by the Icelandic Government. For further details, see the Company's Immediate Reports dated January 10, 2021, May 20, 2021 and June 20, 2021 (Reference No.: 2021-01-003907, 2021-01-027766 and 2021-01-040795, respectively.) The above-mentioned references constitute a generalization by way of reference.

29.10. **Framework agreement for strategic cooperation with Deutsche Telekom**

On July 1, 2021, the Company entered into a framework agreement for strategic cooperation with Deutsche Telekom, which is considered the largest telecommunications operator in Europe and one of the largest in the US with facilities in more than 50 countries around the

world, in the framework of which the possibility of combining the Company's fuel cell systems in some of Deutsche's communication networks will be examined ("**Cooperation Agreement**"). The cooperation agreement stipulates that following the field trial with the Company's fuel cells, Deutsche will decide whether it intends to use the Company's fuel cells as a replacement for diesel - based generators.

The cooperation agreement stipulates that Deutsche will purchase the G5 system. The cooperation agreement stipulates that Deutsche will test the G5 system according to a pre-defined outline. The G5 system will be tested in two stages, with the first stage being tested in the Company's laboratories for about a week .

On November 10, 2021, the Company announced that it had successfully completed the first phase set forth in the cooperation agreement. The G5 system operated continuously and autonomously for an entire week and withstood the first experimental stage.

In light of the success of the above first stage and in accordance with the provisions of the cooperation agreement, the Company was recognized as an official supplier of Deutsche and the G5 and BOX systems have become approved products for acquisition by all Deutsche Group companies worldwide. Moreover, the cooperation agreement includes general framework terms for acquisition, including commercial terms applicable to potential acquisitions of the Company's fuel cells.

In the second stage, which will commence after and subject to the successful completion of the first stage, the parties will conduct a field trial in which the G5 system will be installed for continued operation on at active mobile site in Germany for an extended period of up to about a year, when during this period the testing of the system will continue under various work scenarios to be specified by the parties.

In accordance with the cooperation agreement, in 2021 Deutsche Telekom began a field trial in Israel, according to indications determined between the parties, regarding the FOX system. As of the date of publication of this report, the system is still in the field trial.

Furthermore, it was determined that the possibility of strategic technological cooperation related to the ability to produce clean hydrogen, including the production of green ammonia, would be examined.

29.11. Cooperation agreement with EV

On November 14, 2021, the Company entered into an agreement with EV, an Israeli company, which operates, inter alia, in the import of electric vehicles, chargers for electric vehicles, production and storage facilities of electrical energy, and which serves as the sole representative in Israel of a number of companies, including Sun Surplus Energy Co. Ltd., a Chinese corporation specializing in the design, development, production and construction of advanced

electrical energy production, storage and charging systems, including for electric vehicles ("**Cooperation Agreement**"). The Cooperation Agreement will be implemented in several stages. In the first phase, EV will purchase a number of the Company's systems that will be specifically adapted for implementation in EV systems, for installation in a number of autonomous charging stations for charging electric vehicles, which are not connected to the national power grid ("**Pilot**").

Subject to the successful completion of the pilot (i.e. - the Company's systems will be able to supply the electricity required for the electric vehicles charging stations, in accordance with the terms and criteria set out in the cooperation agreement), the Company will supply its systems exclusively to EV (in Israel) in the field of electric vehicle charging, provided that EV acquires an agreed minimum number of the Company's systems. Further to the aforesaid, EV will use the Company's systems exclusively at all of its charging stations in Israel, provided that the Company meets future technological and commercial criteria as stipulated in the cooperation agreement. The parties will work together to present and promote the hybrid systems, which include the Company's systems based on hydrogen and ammonia, as part of autonomous stations for charging electric vehicles, in China and around the world through EV's Chinese partners specializing in the design, development, production and construction of advanced production, storage and charging systems of electrical energy, including for electric vehicles. The agreement stipulates accepted confidentiality clauses and accords regarding intellectual property rights.

29.12. **Strategic cooperation agreement with ABB**

For further details regarding the Strategic Cooperation Agreement with ABB, see Section 0 above.

30. Legal Proceedings

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

31. Goals and business strategy

One of the Company's main goals is to be a leading player in the global fuel cell market. Hence the Company plans to increase the production capabilities of its fuel cells. For this purpose, a significant investment is planned for increasing production capabilities. The purpose of this investment is to ensure a production capability of thousands of units per year at high quality and at a competitive price, which will increase the chance of selling the Company's products. Substantial production capabilities of fuel cells and assembly lines in the target markets will enable the Company to achieve its goals and

become a leading player in a dynamic and evolving market.

31.1. Achieving development goals -

By completing the research and development processes outlined in Section 20 above and creating the infrastructure required to manufacture the Company's products in the future. Achieving the development goals will help the Company maintain its unique position in the fuel cell market as a leader in the alkaline fuel cell market and maintain its competitive advantage and thus realize its goals.

31.2. 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 seeks to market its products directly to end customers defined in the target market, such as customers wishing to back up critical points in their business activities e.g. automated production lines, computer and communication systems, hospitals, clinics and more. The Company works directly with such customers and in such context operates an array of marketing, business development, sales and customer support. The Company is preparing for the next stage of marketing its products under a series of strategic agreements that are reliant on the ability of large global and local companies such as Deutsche Telekom, TDK and ABB (for further details regarding said agreements, see Section 29 above) to make the Company products accessible and to provide the required service in many areas of the world.

In the Company's estimate, winning the tender held by CFE (for further details, see Section 15 above), along with other installations made by the Company in the US and Mexico, may aid its efforts to market various backup products to power companies around the world. The Company is focusing on countries prone to earthquakes, Ring of Fire, countries most at risk from earthquakes are off the west coast of the United States, Chile, Japan and the Pacific Ocean. Other countries along the seismic line include Mexico, Russia, Indonesia, Canada, Peru, Taiwan, the Philippines and Guatemala. As of the date of the report, the Company is operating in California, Canada, Mexico, Japan and the Philippines in an attempt to introduce said product.

The FOX system may generate a large number of business opportunities. Apparently any application where electricity is required and such electricity is not available or not supplied at the appropriate frequency constitutes fertile ground for marketing the FOX. However, the Company decided to start with the cellular communications market as an initial market since this market has over a million cellular antennas which operate in areas that have partial or are completely devoid of power. To date the technology supplying electricity to all such communication sites is

diesel engines which pollute the air, the groundwater, require extensive maintenance and provide electricity at a high operational cost. The cellular communications industry purchases approx.$ 20 billion worth of fuel (diesel) each year and emits approx. 40 million tons of CO_2. This market is largely dominated by international companies seeking to improve the service, reduce greenhouse gas emissions and reduce their operating costs. The FOX system can certainly meet these requirements. For further details regarding installations of the FOX system performed by the Company at strategic customers such as Deutsche Telekom and the Icelandic Telecommunications Company, see Section 29 above. Thus, during 2022, the Company plans to continue performing additional trial installations at potential customers with the ability to acquire many hundreds of units in the years following the launch of the product.

31.3. Positioning and branding of the Company's products -

Positioning the Company in the coming years as a leading company in the development and production of alkaline fuel cells, while expanding and deepening potential customers to whom the Company will be able to provide service. The Company believes that the recognition of its products by the energy market, including among analysts, the media, organizations seeking to encourage clean energy, by governments and regulatory updates, will have a decisive impact on the Company's position as a market leader and may lead to various regulatory benefits, which may materially impact demand for the Company's products.

The Company's management reviews and will examine its strategic and business objectives from time to time.

32. Expected development in the coming year

During the coming year, the Company intends to focus on the following activities:

32.1. Increasing the production capacity of the fuel cells manufactured by the Company in Israel, while making a significant investment in defining the production capabilities, including automation of the fuel cells.

32.2. Expanding marketing and sales efforts both with current partners such as Deutsche and its subsidiaries and with new customers whom the Company intends to locate in the various markets in which it operates or will begin operating.

32.3. The Company intends to create collaborations with major companies in areas related to its areas of activity such as battery manufacturers, UPS manufacturers, manufacturers and distribution companies of other generators, electricity companies, hospitals, security systems and more, for

the purpose of implementing the Company's products.

32.4. The Company believes that the ammonia market will grow significantly in the coming years and is focusing its capabilities in that direction, both in the context of the FOX system which consumes the ammonia as a significantly cheaper fuel than hydrogen fuel and as an ammonia producer with regards to development of the green ammonia project as outlined in Section 9.3 above.

32.5. Continued development of the Company's products as stated in Section 10 above.

The Company's assessments regarding its expected development in the coming year constitute forward-looking information within the term's meaning in the Securities Law. These assessments are based on the information currently available to the Company regarding its activities and the assessments of the Company's management and are not solely under the Company's control, thus the Company's actual development in the coming year may differ from that assessed or expected by it.

33. Financial information regarding geographical areas

The Company's activities are not geographically dependent. The Company intends to approach markets in Israel, Asia, the EU, North and Central America for the purpose of marketing the Company's products. For further details, see Note 25 to Chapter C of the Periodic Report.

34. Discussion of risk factors

34.1. Macro risks:

A. Economic slowdown and uncertainty in the global market - The slowdown and 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 an adverse effect on the Company's ability to penetrate such markets.

B. Fluctuations in the price of raw materials - Some of the raw materials used by the Company's suppliers are subject to price fluctuations which may affect the prices that the Company will be required to pay for the production process.

C. Dependence on the economic, security and political situation in Israel and around the world - the principal activity of the Company in in Israel. Changes in the security and political situation may have an impact on the Company's operations. The deterioration in the security and political situation may, inter alia, lead to a decrease

in the Company's ability to produce its products or sell its products to the target markets.

<u>D. Exposure to changes in exchange rates</u> - Some of the raw materials used by the Company's suppliers are purchased in foreign currency, with significant fluctuations in exchange rates having an impact on the price the Company will pay. Moreover, the Company markets its products to the global market, thus proceeds are received in foreign currency, whilst most of the Company's expenses for employees' salaries, rent of its offices and payment to consultants are made in NIS. Accordingly, the Company is exposed to fluctuations in the exchange rates of the shekel against the major currencies in the target markets. Such changes may affect the Company's operating results and its profitability.

The Company seeks to partially hedge the risks of exposure to changes in foreign currency exchange rates, inter alia, through future transactions for the purchase or sale of foreign currency. In the Company's estimate, the scope of hedging against exposure to exchange rate risks provides adequate protection for the cash balances in its possession and in accordance with the expectations for its use. For further details, see Note 2 to Chapter C of the Periodic Report.

<u>E. Spread of corona virus</u> - The spread of the corona virus around the world and concern regarding a global slowdown in economic activity, may affect the Company's activities and its results. The Company's management monitors the consequences of the spread of the virus on the various risks associated with the Company's activities and is preparing to act in accordance with developments.

For further details regarding the corona crisis and its impact on the Company's business activity, see Section 1.2 of Chapter B in the Periodic Report.

<u>F. Volatility in availability and in transportation prices</u> - Most of the raw materials used by the Company are imported by sea freight from suppliers in foreign countries. Moreover, most of the supply of the Company's products to its customers is done via sea freight. Rising freight prices as well as possible damage to the availability of freight, inter alia as a result of changes in security, political or medical conditions, etc., as well as strikes, sanctions and delays in seaports in Israel and abroad and other events that may impair the import and export of goods to and from Israel, may cause delays in the availability and receipt of imported raw materials, as well as delays in the supply of the Company's products, and accordingly damage

the Company's operations and affect its profitability. It should be noted that as of the start of 2021, there has been a very significant increase in the cost of sea freight worldwide, as well as an issue of unavailability of such means of transport - all in a manner causing delays in the supply of goods and rising prices. Moreover, the congestion at the ports and the lack of means of sea freight are delaying the release of the goods.

The Company is taking steps to reduce such exposure, inter alia by updating its inventory policy and stocking up on raw materials and updating prices if necessary, as well as providing products to customers through air transportation as required.

34.2. Industry risks:

A. Competition - The Company is exposed to competition (as stated in Section 16 above), both by parties operating in the market at the time of publication of the report and by parties who are in various stages of research and development or those who may compete with the Company in the future. The intensification of competition in the Company's area of activity may lead to a decline in the volume of the Company's contracts and/or a reduction in prices which may lead to an erosion of the Company's profits.

B. Changes in regulation - The marketing of the Company's products as well as its activities in the fields of research and development may in the future be subject to supervision and regulation in different countries. Whilst the Company believes that advances in supportive regulation may be beneficial to it, changes and developments in the regulatory requirements or the Company's non-compliance with such requirements may result in imposition of restrictions or delays in the development of the Company's products or cause their termination, as well as material expenses.

C. Technological developments **- The Company's success depends on its ability to improve the solutions it offers its customers, and to develop or enter into agreements regarding systems and solutions that will keep pace with technological developments, changing standards in the industry and frequent changes in customer needs as a result. There is no certainty that the Company will be able to acquire the skills required for the new technologies in good time, or enter into agreements regarding such systems and solutions, including developing specializations and centers of knowledge at the appropriate time, in order to address new technologies and/or customers' changing requirements. Any delay or failure in the development,**

adoption or adaptation of appropriate solutions to technological changes and changes in market requirements may damage the Company's business results. Moreover, the creation of an alternative technology to that offered by the Company may damage the scope of the Company's activities.

D. Slowdown in the research and development process - conducting experiments as part of research and development processes conducted by the Company may be delayed or cease due to various reasons which are not dependent on the Company.

E. Human capital **- The Company faces a challenge in locating, recruiting and retaining quality and professional personnel. The principal cause of a shortage is the rapid increase in demand for experienced employees in the Company's area of activity. The continued increase in demand for employees in the Company's area of activity causes difficulties in locating experts required by the Company whilst increasing its costs in locating and recruiting employees to meet market demands as well as retaining existing employees. As a result, the Company is required to pay higher wages, both for recruiting new employees and for retaining existing employees.**

These trends may lead to an increase in the Company's wage costs, the Company may lose employees (insofar as their wage increase expectations are not realized) and even encounter difficulties in recruiting new employees at appropriate economic costs. All of these may lead to an erosion in the Company's profitability.

In addition, the field of operation is characterized by a proliferation of regulations and frequent regulatory changes (including changes in law, expansion orders - such as the expansion order regarding the shortening of the working week in the industry, court rulings, etc.). The application of such additional regulatory changes, if any, applicable to the Company, may affect the human capital employed by it, expose the Company to additional significant costs and even lead to damage to the Company's contracts with its customers and exposure to claims and suits by the Company's employees, which may damage its profits and adversely affect its business results.

F. Uncontrolled growth **- If it transpires that the demand for the Company's products is on a larger scale and/or at an earlier date than the Company expected, then a concern exists that its managerial and financial resources will not be able to meet such uncontrolled growth. This issue may have a negative impact on the Company's goodwill and its forecasts for future growth.**

G. Protection of intellectual property - The Company's business depends to some extent on the intellectual property rights associated with 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 issue of intellectual property protection in this industry, to the point of litigation in courts in case of infringements arising from protection of the intellectual property of their products. In the event that such a claim arises against the Company in the future, this may entail significant costs. A lawsuit received in such matter against the Company may materially damage the Company's business and have a material impact on its financial position.

H. Reliance on manufacturers - The Company has entered into agreements with third parties unrelated to the Company in agreements for receipt of manufacturing services for certain components of the Company's products. Insofar as the volume of demand and production increases in the future and such third parties are unable to continue providing their services to the Company, this may have a material adverse effect on the Company's business.

I. Capital raising capabilities and sources of financing - the Company, as a research and development company, requires long-term high liquidity for the purpose of developing its vision and achieving business results. As a rule, capital markets are characterized by high volatility, especially in relation to technology companies. A slump in the capital markets in Israel and around the world may make it difficult to locate financing sources. There is no certainty that insofar as the Company requires additional sources of financing, it will succeed in raising them for the development of its products in the future.

J. Dealing with technical failures - Technical failures in the production lines of the Company's products may result in the imposition of restrictions and/or delays in sales and research and development of the Company's products and/or cessation of their marketing. The time frame for dealing with technical failures causing serial malfunctions to the point of having to replace machines in the Company's production lines may be between 6 - 12 months and hence increase the Company's expenses for warranty and repairs and damage its branding and goodwill.

K. Environmental risks related to the Company's activity - For further details, see Section 27 above.

34.3. Company-unique risks:

A. Pricing - The Company's pricing method and the creation of a relatively expensive product may impair the Company's ability to penetrate the target markets.

B. Demand for the Company's products - there is no certainty of a demand for the Company's products on a scale justifying their commercial production and marketing.

C. Inventory levels - Because the Company encounters long delivery times of the raw materials required for its products, it is forced to maintain high inventory levels in order to be able to meet the demand for the supply of its products. Insofar as there is no demand for the Company's products, the Company may be left with high inventory levels, which means unnecessary confinement of capital to inventory. Concurrently, the Company's management has formulated an inventory policy that is appropriate to the size of the Company and the size of the expected opportunities.

D. Failure in research and development procedures - There is no certainty that the research and development procedures being carried out at the time of reporting and those due to be performed by the Company in the future as stated in Section 20 above, will mature into quality products of the type desired for marketing and sale.

E. Past performance - The Company's past performance is not an indication of its future performance. Therefore there is no guarantee that the Company's business strategy will be successfully realized in the future, nor that it will meet its goals and objectives.

F. Cyber and information security **- The Company's activities are based on information systems and digital information of various types, including with regards to the Company's employees, suppliers and customers. In recent years there has been an increase in the frequency and severity of cyber incidents (including cybercrime). This trend is expected to continue in the future and even worsen, despite all the defence mechanisms employed against it. Cyber incidents can lead to unauthorized access, unauthorized disclosure, misuse, disruption, deletion or alteration of the Company's and customers' information, as well as disrupt day-to-day operations, disrupt computing services, slow them down significantly and even disable information systems.**

In the event of damage to the Company as a result of such cyber attacks, the Company may suffer adverse consequences, such as disruption of the Company's activities and/or the activities of customers to whom the Company supplies products, disruption of information systems or their disablement, theft of information from the Company and/or its customers, damage to goodwill which may affect customers' trust, and exposure to lawsuits. In such cases, this may damage the Company's business results.

The Company is seeking to comply with the regulatory rules applicable to it with regard to information security. Accordingly, the Company is required to invest considerable resources and may be required to increase its investment, bearing in mind the increase in risk, the increase in cyber-attack attempts and their sophistication, the information security incidents that may be discovered and regulatory changes.

G. Overseas activity - Due to the Company's activity in various countries around the world, an activity that has expanded in recent years, the options for supervision and control are fewer than those related to organic activity in Israel. Such limited control may lead to late detection of problem hotspots, if any, in the Company's operations at remote sites and prevent the Company from responding at the speed required. The Company is also exposed to risks arising from the mere activity in foreign countries (including political and national risks) and risks arising from economic slowdown in such countries, which may reduce demand for the Company's services and entail price pressures and decreased margins.

H. Dependence on the customer sector - electricity companies, telecoms and vehicle charging - the Company has no significant dependence on any customer, yet the Company deems the electricity companies, telecoms, hospitals and defence system sectors as a material sector in its operations (both in Israel and abroad). In the event that the Company's engagement with some of its customers in these sectors ceases simultaneously, or the scope of its activities with some of its customers is reduced significantly, or if the terms of the contract with such customers changes materially, or if there is a significant deterioration in said sectors which reduces demand for the Company's products, the Company's operating results may be impaired as a result.

I. Contractual engagements with customers on a fixed price basis **- Part of the Company's revenue is derived from contractual engagements based on a fixed price. Pricing for such liabilities is based on a future cost estimate. The inability of the Company to accurately assess the resources needed to carry out projects at a fixed price, correctly estimate the wage costs during such projects (including expected**

wage increases during the project) or to fulfill its liabilities by the deadlines determined, may damage the Company's business results. Such risk will increase in direct proportion to the increase in the scope of fixed price projects executed by the Company, in light of the Company's trend to expand its project activities.

J. Legal risks - Due to the complex nature of some of the Company's engagements, there is legal exposure to the initiation of legal proceedings against the Company by the Company's customers. The Company is seeking to reduce the said risks both through the terms of the contract and the limitation of its liability in agreements with its customers, and through the purchase of general liability and professional liability insurance, as well as through careful management of the projects it executes.

In the event that lawsuits are filed against the Company and it loses in legal proceedings initiated against it as a result, for an amount exceeding the amount of its insurance coverage, or in the event that changes are made to its insurance policies, the Company's business results may be impaired. Moreover, in the event that the Company is found to be liable for damages caused as a result of products marketed by it or as a result of projects and services performed by it, this may damage the Company's business results.

K. Dependence on key employees - the Company has a material dependence on Mr. Gennadi Finkelshtain, the Company's VP of Technology and **Development**, since the termination of his activities in the Company may adversely affect the Company's operations and business results, owing to his seniority and vast experience gained during his years of serving the Company. In the Company's estimate, said dependence will diminish as the Company's products penetrate the relevant markets.

Table of risk factors

The following is a table presenting the type of risk factors described above according to their nature - macro risks, industry risks and unique risks to the Group, rated according to the assessment of the Company's management, on the basis of their impact on the Company's business:

	Degree of impact of risk factor		
	Large impact	Medium impact	Small impact
Macro risks			

	Degree of impact of risk factor		
	Large impact	**Medium impact**	**Small impact**
Economic slowdown and uncertainty in the global market		X	
Fluctuations in the price of raw materials		X	
Dependence on the economic, security and political situation in Israel and around the world		X	
Exposure to changes in exchange rates		X	
Spread of the corona virus	X		
Volatility in availability and transportation prices			
Industry risks			
Competition		X	
Capital raising capabilities and financing sources			X
Changes in regulation			X
Technological developments		X	
Slow down in research and development process		X	
Human capital	X		
Uncontrolled growth		X	
Protection of intellectual property		X	
Reliance on manufacturers		X	
Dealing with technical failures		X	
Environmental risks related to the Company's area of activity	X		
Company-Unique risks			
Pricing		X	
Demand for the Company's products		X	

	Degree of impact of risk factor		
	Large impact	Medium impact	Small impact
Inventory levels		X	
Failure of research and development processes	X		
Past performance		X	
Cyber and information security	X		
Overseas activity		X	
Dependence on the customer sector - electricity companies, telecoms and vehicle charging		X	
Contractual engagements with customers on a fixed price basis			X
Legal risks			X
Dependence on key employees		X	

It should be noted that the identification of risk factors and the extent of their impact on the Company are based on the Company's assessment, and it is possible that in practice there are risk factors that have yet to be identified or whose impact may be different to the above. Moreover, the information contained in this Section 34 above with respect to the possibility of the occurrence of future events that may impact the Company's business and financial position is forward-looking information, as per the term's definition in the Securities Law, the occurrence of which depends on factors that are external to the Company. There is no certainty that said information will occur in practice, or that the results of its occurrence will be in accordance with the Company's assessment.

Chapter B- Board of Directors' Report on the State of the Company's Business
For the year ended December 31, 2021

The Company's Board of Directors is pleased to submit the Board of Directors' Report on the state of the Company's business for the year ended December 31, 2021 ("**Report Period**" and "**Report Date**", respectively), in accordance with Reporting Regulations.

The Board of Directors' Report includes a limited overview of the matters dealt with. It is clarified that the description included in said report includes only information which in the Company's opinion constitutes material information and was prepared on the assumption that the reader holds a description of the Corporation's business provided in Chapter A of this Periodic Report.

As of January 1, 2021, the Company no longer meets the definition of "small corporation" pursuant to Reporting Regulations and Regulation 6C of the Securities Regulations (Details of Prospectus and Draft Prospectus - Structure and Form), 5729-1969. In accordance with Regulation 5E(c) of the Reporting Regulations, the Company announced that it would continue reporting under Regulation 5D of the Reporting Regulations, while implementing the concessions subscribed to a "small corporation", including with regards to a semi-annual reporting format, this in accordance with the Company's Board of Directors' decisions dated November 8, 2020 and May 20, 2021, and inclusive of the Company's quarterly reports dated September 30, 2021. It should be noted that since the Company is deemed a "Tech-Elite" corporation, as defined in the Securities Regulations (Corporate Reports whose Shares are Included in the Tel Aviv Tech-Elite Index), 5776-2016 ("Tech-Elite Regulations"), the Company has adopted the concessions enumerated in Regulation 3 of the Tech-Elite Regulations. For further details, see the Company's Immediate Report dated January 4, 2021 (Reference No.: 2021-01-001390) included herewith by way of reference.

1. The Board of Directors' explanations regarding the state of the Company's business, 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, pursuant to the Companies Law, as a private company limited in shares, under its current name. On November 18, 2020, the Company completed an IPO of its shares by virtue of the

prospectus, and accordingly became a public company as per the term's definition in the Companies Law, as well as a reporting corporation, as per the term's definition in the Securities Law. On April 12, 2021, the Company completed another offering of its shares under a shelf offer report dated April 11, 2021 published by virtue of the prospectus. On January 23, 2022, the Company completed an offering to investors under a Material Private Placement report dated January 18, 2022, pursuant to the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000. For further details on the issues, see Section 5 of Chapter A of the Periodic Report.

The Company is a manufacturing technological company engaged in the design, development, production, marketing, sale and provision of after-sales services of systems for power supply backup, based on use of alkaline fuel cells characterized by the generation of green electricity with no emission of carbon dioxide into the atmosphere, in response to a growing demand for green energy as a replacement for internal combustion engines based on oil substitutes. The Company's systems are designed to provide an "uninterruptible power supply" solution to critical points in the economy and stationary electricity solutions for geographical areas not connected to the electricity grid. The Company has installed its products with strategic customers and is also at the feasibility stage with customers who continue to examine the performance of the systems as a prerequisite for significant acquisition.

During the reporting period, the Company recorded material progress in its activities both at the technological level, in research and development of its products, and at the business-strategic level, as described below:

On the technological, research and development level-

During the reporting period, the Company continued investing extensive effort and resources in research and development, achieving significant breakthroughs which precipitated significant progress and a breakthrough in several areas as described in the periodic report, amongst which are the conclusion of development of a catalyst not based on a precious metal in any way, nor on palladium. The new catalysts developed by the Company are a cheap replacement to the catalyst based on precious metals. The Company estimates that this development establishes the Company's superiority in the catalyst field since the fact that the Company can install the new catalyst in any of its products will reduce their production costs relative to those currently available and afford the Company the ability to sell its products at a competitive price and may provide it with a significant competitive advantage in the future.. For further details, see the Company's Immediate Report dated March 9, 2021 (Reference No.: 2021-01-029763).

Likewise, on February 22, 2021, the Company entered into a strategic cooperation agreement with Japanese TDK, for TDK's participation in the Company's "Green

Ammonia" project, which aims to develop a product enabling the production of "green ammonia" without any CO_2 emissions at the power generation stage. On February 27, 2022, the Company informed TDK that it had reached a significant scientific breakthrough that enables the production of green ammonia directly from water at very low pressure and temperature relative to the ammonia production processes currently known in the world. Accordingly, TDK informed the Company, having examined said breakthrough, that it intended to exercise its right and continue to invest in the project in accordance with the terms of the agreement, for further development of the project in the context of the next milestone. This solution will enable the Company to offer its customers a complete solution that includes the production of ammonia and the use of a completely clean energy source for the production of clean electricity using the Company's fuel cells which will use green ammonia as a fuel. The Company intends to utilize this technology so that its customers are able to produce green ammonia (fuel) instead of electricity thus avoiding all the logistics entailed in transporting and storing hydrogen and ammonia in sites where the Company's fuel cells are located. Moreover, the production of green ammonia constitutes a first step for the Company which reflects its intention to enter the field of clean fuel production as well, an area that in the Company's opinion constitutes a unique and very large business opportunity in the coming years. The Company estimates that the increased use of hydrogen as the fuel of the future will further the seeking of ways to transport and store it, with green ammonia being one way to efficiently store energy in a hydrogen configuration. The Company also estimates that the possibility of producing green ammonia at points of use will open up the possibility of offering this technology to the principal ammonia markets, including agriculture, industry and more. The Company believes that its capabilities in the field of hydrogen and especially in the development of catalysts for work in a hydrogen environment will help it position itself in this emerging market. For further details regarding the Strategic Cooperation Agreement, see Section 29.5 of Chapter A in the Periodic Report.

During the reporting period and following the conclusion of a strategic agreement with the Icelandic telecommunications company Neyðarlínan ("**Icelandic** Telecommunications Company"), which operates an emergency communications services center in Iceland through hundreds of telecommunications sites, the Company dispatched and installed the FOX system at one of the Neyðarlínan's stations for the purpose of testing its operation in Neyðarlínan's emergency communications sites. According to the agreement and in light of the positive results of the experiment, the Company and Neyðarlínan managed to operate the FOX system for 1,500 hours continuously and autonomously, thus becoming the longest operational fuel cell in the world, whilst producing hydrogen independently from ammonia (with no connection to the electricity grid) and providing green, clean and economical electricity around the

clock and in changeable weather conditions. In light of the foregoing, the Company and Neyðarlínan have reached an agreement according to which the parties will examine the operation and installation of the product in extreme weather conditions during the first half of 2022 (In the arctic region) ("**Additional installation**"). It was further agreed that prior to the additional installation, the parties would conduct negotiations for the acquisition and operation of the product systems at Neyðarlínan's stations. For further details, see Section 29.9 of the Periodic Report.

As part of the Company's desire to seize a significant share in the area of backup systems provision and replacement systems for diesel engines in the global telecoms market, and in light of the ripened technology presented by the Company together with the Company's expanding installations worldwide, alongside the success of the Company's FOX system field trial, the Company entered a cooperation agreement with Deutsche Telekom ("**Cooperation Agreement**"), under which Deutsche Telekom will test the G5 system according to a pre-defined program to be executed in two phases, with the first phase being conducted under a load simulating a mobile site at the Company's premises for about a week and which was completed on November 10, 2021. In light of the success of the above first phase and in accordance with the provisions of the cooperation agreement, the Company was recognized as an official supplier of Deutsche Telekom and the G5 and BOX systems have become approved products for purchase by all Deutsche Group companies worldwide.

Following the successful conclusion of the first phase, the parties are preparing for the second phase in which the parties will conduct a field trial in which the G5 system will be installed for continued operation on an active mobile site in Germany for a longer period of up to about a year, when during this period the system will continue to be examined under various operational scenarios to be determined by the parties while integrating the system into the various broadcasting systems used by Deutsche Telekom. The Company estimates that the second phase will commence during the first half of 2022.

Further to the cooperation agreement, in 2021 Deutsche Telekom began a field trial of the FOX system in Israel, which serves as a primary energy source and operates on the basis of ammonia used as fuel. The examination is performed according to indicators determined between the parties. As of the date of publication of this report, the system is still in the field trial. In accordance with the provisions of the cooperation agreement, subject to the success of the field trial, the Company will be recognized as an official supplier of Deutsche Telekom and the FOX system will become the approved product for purchase by all Deutsche Group companies worldwide.

The cooperation agreement further stipulated that the possibility of strategic technological cooperation related to the ability to produce clean hydrogen would be examined, including the production of green ammonia.

In the Company's view, the conclusion of the first phase regarding the G5 system under the cooperation agreement is a significant seal of approval for the success of the technology developed by the Company and its products and will contribute to the Company's ability to sell its products to companies belonging to Deutsche Telekom Group worldwide. Moreover, the Company estimates that said success will contribute to the Company becoming a supplier of hydrogen-based electricity backup solutions to the global telecoms market valued at tens of billions of dollars, all in accordance with the Company's objectives and business strategy. For further details regarding the cooperation agreement with Deutsche, see Section 29.10 of Chapter A in the Periodic Report.

During the reporting period, in view of the growing demand in the telecoms market for technological applications producing and providing renewable energy, the Company launched the BOX system which provides long-term backup energy to critical and communications sites based on the Company's fuel cell technology. The BOX system has an output of 5 kilowatts, with long-term backup capability in extreme weather conditions. The BOX system is designed so that it can interface with energy management systems in standard protocols of the global telecoms market (standard telecoms Energy Management System protocols). For further details regarding the BOX system, including its advantages over the G5 product, see Section 10.3.c. to Chapter A of the Periodic Report.

The Company is also advancing further development of a fuel cell with a 10kW capacity, which will enable the Company to expand its product range to its target markets at capacities of 10kW and above, as well as to other markets in which it currently does not operate.

Business-strategic level -

On December 16, 2020, the Company received a permit from the Israel Electricity Authority to operate the G5 system at an essential facility ("**Permit**") constituting a first approval of its kind in Israel for a hydrogen-operated generator in the context of an experiment by remote monitoring of the system in a well-known hospital in Israel, which was concluded on January 4, 2021. For further details, see the Company's Immediate Report dated January 5, 2021 (Reference No.: 2021-01-001441). The above-mentioned reference constitutes ageneralization by way of reference. Said approval is a breakthrough for the Company and in the Company's estimate may enable the expansion of its activities in the hospital sector in Israel and around the world.

During the reporting period, the Company successfully completed, together with ABB, an installation in one of the hospitals in Israel to back up vital medical facilities as part of a joint solution combining the Company's fuel cell systems with ABB's uninterruptible power systems ("**Proposed solution**"). The proposed solution was installed in one of the hospitals in Israel following approval from the Israel Electricity Authority and the Israeli Ministry of Health as aforesaid. Subsequently, on December 21, 2021, the Company entered into an agreement with ABB under which the parties would work to create a strategic partnership, in which ABB and the Company would work together in support of joint marketing efforts for hydrogen-based energy solutions whilst focusing on solutions that combine the Company's products with those of ABB. For further details regarding the cooperation agreement with ABB, see Section 29.12 of Chapter A in the Periodic Report.

In the Company's estimate the collaboration with ABB may help introduce the Company's products into new market segments and is expected to shorten the time required for locating new customers and territories. Furthermore, the potential for a partnership with ABB will provide the Company the opportunity to strengthen its position in the global fuel cell industry, not only for backup systems but also for off-grid clean primary electricity. The Company also believes that the proposed solution may assist in promoting its business in accordance with its objectives and strategy.

The Company's installations as part of the REX system pilot (a system adapted to work in transformer stations) at the Mexico Federal Electric Company ("**CFE**") were deemed a success which led to the Company winning a tender held by CFE for the supply and installation of 37 systems ("**Tender**"). It should be noted that in accordance with the terms of the tender, CFE was granted the right to double the number of systems to be supplied and installed by the Company by up to 100%, that is, up to 74 systems in total, under identical terms to those of the tender. On August 17, 2021, the Company announced that CFE had completed the exercise of its aforesaid right. As of the date of publication of the Periodic Report, all systems have been supplied and installed in CFE sites. It should be noted that in view of delays in the installation of the systems, CFE offset part of the consideration. For further details, see Section 13 to Chapter A of the Periodic Report.

On November 14, 2021, the Company entered into an agreement with EV, an Israeli company, which is engaged, inter alia, in the import of electric vehicles, chargers for electric vehicles, production and storage facilities of electrical energy, and which acts as the sole representative of a number of companies in Israel, including Sun Surplus Energy Co. Ltd., a Chinese corporation specializing in the design, development, production and construction of advanced electrical energy production, storage and charging systems, including for electric vehicles. Under said cooperation agreement,

the Company's systems producing electrical energy from hydrogen and/or clean, emission-free ammonia, will be integrated into EV's hybrid vehicle charging systems with the aim of designing and establishing projects in Israel for charging electric vehicles using autonomous hybrid charging stations, disconnected from the national electricity grid and with the aim of replacing generators operating on fossil fuels ("**Project**").

In the Company's view, if and to the extent that the project succeeds, it is expected to serve as international corroboration of the Company's ability to produce and provide clean and emission-free electricity solutions at hybrid autonomous charging stations, for charging electric vehicles disconnected from the national electricity grid. The Company also believes that presenting positive results in the project may significantly advance the Company's position in the global electric vehicle charging market, especially in China, and may help promote the Company's business in its target markets to new customers in line with the Company's goals and business strategy. According to the Company, the project is expected to enable the creation of a new solution for clean emission free electricity supply for charging electric vehicles at autonomous charging stations. By 2030, the global electric vehicle charging market is expected to grow to approx. $ 207 billion[1], hence the Company estimates that the project is a first step in the Company's attempt to penetrate this market and market its systems and technology in the future. For further details regarding the cooperation agreement with EV, see Section 29.11 of Chapter A in the Periodic Report.

During the reporting period, the Company continued developing infrastructure for cooperation including a number of joint installations in Israel and around the world with other leading players in the Company's areas of interest, including telecoms, power companies and electric vehicle charging companies, for the creation of a marketing infrastructure for the Company's products under possible commercial agreements between the Company and other international players. The Company expects the current order pipeline along with the continued success of installations (POC) among customers, as well as business collaborations, to help the Company meet its business targets for 2022.

It is clarified that the above information and forecasts, including that the collaborations within the Green Ammonia project will indeed materialize, the realization of the strategic partnerships with TDK, the Icelandic Telecommunication Company, Deutsche, ABB and EV, for the sale of additional products of the Company as well as their assistance and promotion of the Company's commercial processes, constitute

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

forward-looking information within the term's meaning in the Securities Law. These estimates and forecasts may not materialize in whole or in part, or may materialize differently to what is estimated. The Company's estimates and forecasts are based on information currently in the Company's possession regarding its activities, and which are not under the Company's control.

1.2 **The corona crisis and its impact on the Company's business activity**

In early 2020, a "Corona" type virus (COVID-19) began to spread around the world, and was declared a global pandemic by the World Health Organization. The outbreak of the pandemic and the uncertainty regarding the rate of its spread, the length of time it may take to deal with the pandemic and the timeframe for a return to a normal, have led to a global economic crisis, including in Israel. In the period since the outbreak of the virus, sharp volatility has been experienced in many markets (both real and financial), characterized by high uncertainty. This has manifested, inter alia, in a dramatic rise in the prices of goods and services such as sea and air freight causing a slowdown of shipments (in and out) as well as volatility vis-à-vis customers and suppliers abroad and increased risk.

During the reporting period, there were intermittent increases and decreases in morbidity levels and the rate of spread of the virus, when as of the date of publication of the report, a variant of the corona virus called "Omicron" broke out around the world and in Israel, leading to high morbidity levels that have been in decline as of the date of publication of the report. Accordingly, governments around the world and in Israel in particular have taken a series of austerity measures and imposed restrictions. The current period is still characterized by significant uncertainty regarding additional "waves" of morbidity, imposition and/or removal of restrictions, completing immunization of the entire population, improving the effectiveness of vaccines against mutations and/or new strains of the corona virus and developing effective drugs to deal with the corona virus, and regarding the manner and timescale of emergence from the crisis and the frequent changes involved.

As of the date of publication of the report, the Company holds an essential enterprise permit from the Ministry of Labor and Welfare which allows it to continue operating when the economy is in a state of emergency and is in readiness for 'work from home' if necessary.

In the Company's opinion, the range of scenarios for emerging from the crisis is wide and depends mainly on a number of factors which are not under the Company's control, including: the length of time it may take for the entire population to be vaccinated against the virus, the scope of restrictions on business activity pending the vaccination of the population against the virus and the level of economical support by governments around the world.

In the Company's estimate, the continuation and exacerbation of the spread and/or the measures to reduce such exposure may have a material adverse effect on the Company's business, its operations and financial results. The possible consequences and risk factors for the Company arising from the deterioration in the economic situation, including recession,economic slowdown and economic uncertainty, may manifest in availability and supply dates of raw materials and in sharp changes in prices, manpower shortages and accordingly, impaired production and delivery of the Company's products to its customers.

In this context, it should be noted that this forecast is dynamic and subject to changes depending on the guidelines and governing of the State of Israel - and the entire world - in the treatment of the virus, its continued spread and impact on the economy, when at the time of publication of the report the Company is unable to assess the full and final impact of the virus on its operations.

The Company's assessments regarding the possible consequences of the continued spread of the corona virus and guidance issued to the public in its regard, on the Company's operations constitute forward-looking information, within the term's definition in the Securities Law, based, inter alia, on the Company's assessments as of the date of publication of this report in relation to factors beyond its control. The Company's assessments are based on information currently in its possession, on publications on the subject and the guidance of the relevant authorities, with no certainty that such will materialize, in whole or in part, or may materialize in a materially different manner due to factors beyond the Company's control, amongst which are, the continued spread of the corona virus, the length of time that elapses until the entire population is vaccinated against the virus, improvement in the effectiveness of vaccines against mutations and/or new strains of the corona virus and development of effective drugs to deal with the corona virus, the guidance of the relevant authorities in Israel and around the world and the intensity and duration of the economic slowdown that may evolve in Israel and around the world.

1.3 **<u>Other material events during and after the period of the report</u>**

1.3.1 On February 24, 2022, Russia invaded Ukraine's territory accompanied by bombing of various locations throughout Ukraine, including the capital Kyiv, Odessa, Kharkiv, Leviv and more. In the face of the aforesaid invasion, various financial and economic sanctions were imposed by Western countries on Russia and its citizens. The Company receives development services from two service providers who, as of the date of publication of the report, continue to provide the services, but in view of said sanctions, it is not possible to make bank transfers to the service providers' accounts in Russia. The Company has also contracted with

a Belarusian company which provides such services together with Ukrainian service providers, for development of the catalyst in the FOX system. In light of the aforesaid campaign, the services were discontinued. As of the publication of the report, the current period is characterized by significant uncertainty regarding the protraction of hostilities and their cessation cannot be estimated. Protraction of the fighting may lead to delays in the developments carried out by the aforesaid service providers. The Company is examining the possibility of employing suitable professionals in Israel for the purpose of progressing said developments.

1.3.2 On March 29, 2022, the Company's Board of Directors approved the allotment of 566,432 non-listed options to 20 of the Company's employees, each of which can be exercised for one ordinary Company share, in accordance with the Company's options plan[2].

1.4 Financial position

The following are the sections of the report on financial position in accordance with the audited financial statements and explanations regarding the main changes that took place therein (in thousands of dollars):

Section	As of December 31		Change	Board's explanations
	2021	2020		
Current assets	60.497	67.906	(7.409)	The decrease is mainly due to a decrease in cash and short-term deposits amounting to approx. $ 10 million resulting from the Company's current operations, an investment of $ 2.8 million in fixed assets, loans to a local supplier for approx. $ 2.5 million and the purchase of inventory in favor of the CFE project. Furthermore, a decrease in inventory of approx. $ 2.3 million, mainly as a result of the transaction with CFE. On the other hand, there is an increase in the customer balance of approx. $ 2.3 million in respect of the CFEtransaction, as well as an increase of approx. $ 838 thousand in debtors

[2] It should be noted that the aforesaid allotment is subject to the stock exchange's approval for the listing of the shares arising from the exercise of said options, which has not yet been received as of the date of publication of the report.

				balance, mainly as a result of the Company's loan to Gensel Mexico in favor of the transaction with CFE.
Non-current assets	20.151	7.817	12.334	The increase in non-current assets is mainly due to investment in fixed assets amounting to $ 2.8 million, capitalization of research costs at $ 5.1 million and an increase in easement assets amounting to approx. of $ 3.3 million following the increase in the size of the Company's premises in floors 4 and 0.
Total assets	80.648	75.273	5.375	-
Current liabilities	6.346	3.822	2.524	The increase is mainly due to an increase of approx. $ 1.4 million in fixed assets supplier balance, and an increase in the balance of delivery suppliers in respect of shipments to CFE and an increase in supply chain prices worldwide. In addition, an increase in provision for officers' remuneration amounting to approx. $ 548,000 and an increase of approx. $ 412,000 in the current maturities of liabilities in respect of leases arising from the increase in the Company's premises.
Non-current liabilities	8.081	4.550	3.531	Most of the increase is due to the increase in the liability in respect of leases, mainly in respect of the increase in the Company's premises as elaborated above.
Total capital	66.221	67.351	1.130	The increase is due to the issuance of the Company's shares during April as well as the exercise of warrants by the Company's employees during the year. On the other hand, an increase in the share-based payment fund in respect of grants to the Company's employees and current expenses in respect of grants made in the past.

1.5 Results of activity

The following is a summary of the Company's profit and loss statements (in thousands of dollars):

Section	For the year ended December 31		Change	Board's explanations
	2021	2020		
Sales	5.542	324	5.218	The increase is mainly due to the CFE transaction amounting to $ 5.2 million and a further $ 320,000 from other customers.
Cost of sales	8.507	1.887	6.620	The increase in the cost of sales is mainly due to equipment sold as part of the CFE transaction for approx. $ 5 million, as well as an increase of approx. $ 700,000 for customer shipments and import costs and also as a result of a $ 550,000 increase in wage costs in respect of the recruitment of approx. 15 production and supply chain workers in 2021, and also because the Company was furloughed in 2020 for about three months as a result of the corona crisis.
Gross loss	2.965	1.563	1.402	The increase in gross loss is mainly due to a significant increase in shipping costs and logistics of the Company's products mainly for the project in Mexico as well as high production costs resulting from small production quantities. It should be noted that the Company expects production costs to be reduced in the coming years as a result of an increase in production volumes and a reduction in cost per product.

Research and development expenses, net	5.704	8.287	(2.583)	The decrease in research and development expenses is mainly due to the capitalization of development expenses amounting to $ 5.1 million and a decrease in share-based payment expenses following the maturation of most grants from previous years (as per the 'acceleration method'). Conversely, an increase of approx. $ 2.7 million in wage costs following recruitment of approx. 30 development workers and also due to the Company being furloughed for about three months in 2020 as a result of the corona crisis.
Sales and marketing expenses	4.780	4.158	622	The increase in sales and marketing expenses is mainly due to an increase in employee wage expenses and the salaries of sales agents amounting to approx. $ 500,000 and $ 380,000, respectively, and as a result of the recruitment of 8 new employees as well as an increase in the provision for management remuneration in line with the managers' remuneration program, and also due to the Company being furloughed for about three months in 2020 as a result of the corona crisis.

Administrative and general expenses	5.4736.973	4.615	2.358	The increase in general and administrative expenses is mainly due to an increase of approx. $ 340 thousand in wage expenses of the Company's employees and directors following the recruitment of 6 new employees and the appointment of 4 new directors during the year, and due to the Company being furloughed for about three months in 2020 as a result of the corona crisis. In addition, in its financial statements the Company provisioned approx. $ 1.5 million for anticipated credit losses from a loan granted to the local partner in the framework of the CFE project.
Loss from ordinary activities	20.422	18.623	1.799	-
Financing expenses	603	428	175	The increase in financing expenses is due to an increase of approx. $ 200,000 for the lease of new office space and in respect of an increase in liability in respect of a grant from BIRD for approx. $ 200,000 as well as in respect of a $ 215,000 increase in financing costs due to hedging transactions. Conversely, financing income amounting to approx. $ 300,000 on deposits as a result of a drop in the dollar exchange rate.
Other income	-	17	(17)	-
Income taxes	65	20	45	The increase in tax expenses is mainly due to payment of surpluses.

Other gross profit	72	-	72	Other gross profit is due to the implementation of hedge accounting for the first time in 2021.
Loss for the period	21.018	19.054	1.946	-

For details regarding a summary of reports on gross profit for each of the quarters in 2021, see also Regulation 10A of Chapter D of the Periodic Report.

1.6 Liquidity and financing sources

1.6.1 Analysis of the Company's cash flow

Section	For the year ended December 31		Change	Board's explanations
	2021	2020		
Cash flows from current operations	(10.794)	(9.943)	(851)	The decrease in cash flows from current operations is mainly due to: (a) Increase in wage expenses resulting from recruitment of employees, salary increases and payment of bonuses to the Company's management while in 2020 the Company was furloughed for three months as a result of the Corona crisis; (b) Increased production expenses, administrative and general, as well as marketing and advertising resulting from expansion of the Company's operations; (c) Equipping and purchasing inventories in favor of the CFE transaction. It should be noted that in light of the capitalization of development costs in the Company for the first time at approx. $ 5.1 million, research and development expenses decreased in 2021.

Cash flows used for investment activities	(24.390)	(30.994)	6.604	The decrease in cash flows used for investment activities due to a decrease in changes to the Company's short-term deposits as a result of the depositing of the 2020 issuance funds into short-term deposits totalling approx. $ 30 million. Furthermore, a loan of approx. 2,615 was granted to the local partner under the CFE project and conversely, an increase in investment in fixed assets of approx. $ 2 million and also due to a first capitalization of development costs amounting to approx. $ 5.1 million in 2021.
Cash flows arising from financing activities	13.206	72.512	(59.306)	The decrease in cash flows resulting from financing activities relative to the previous year is due to the Company's capital raising and IPO in 2020 in which the Company raised approx. $ 69 million.

1.6.2 Details regarding financing sources

The Company finances its operations from the proceeds of its IPO under a prospectus dated November 2020, the additional public offering of its shares under an off-the-shelf offer report dated April 2021 published under the prospectus dated April 2021 and a private offering to institutional investors dated January 2022 by way of a substantial private offering pursuant to the Securities Regulations (Private Offer of Securities in a Listed Company), 5760-2000. For further details, see Section 5 to Chapter A of the Periodic Report. For further details on the use of the proceeds of the IPO and additional issue, see Regulation 10C of Chapter D of the Periodic Report.

1.6.3 Liquidity

Following completion of the issues and receipt of the proceeds, the Company is able to continue its current activities for a period of at least 12 months from the date of approval of the financial statements.

2. Aspects of corporate governance

2.1 Donations and Social Accountability Policy

The Company does not have a policy for making donations and each donation request is examined on its merits. During the reporting period, the Company did not donate any sums. It should also be noted that the Company, its managers and employees are involved and contribute to the cultivation of community and local life. The Company takes part in individual voluntary projects through its employees and managers.

In recent years, there has been a growing recognition that environmental, social and corporate governance risks have an impact on companies' business operations. In light of this, the Company is seeking to formulate a work plan for the implementation of work and production processes that take into account ESG considerations and the measurement of ESG risks at the Company.

2.2 Directors with accounting and financial expertise

2.2.1 In accordance with Section 92(A)(12) of the Companies Law, on September 21, 2020 the Company's Board of Directors determined that the appropriate minimum number of directors with accounting and financial skills shall be 2 directors. In the Company's opinion, said number of directors possessing accounting and financial skills will enable the Board of Directors to meet its obligations under the law and the incorporation documents, specifically with regard to its responsibility for examining the Company's financial position and preparing and approving the financial statements. As of the date of publication of the report, the Company has 5 directors with accounting and financial skills. For details regarding the Company's Board members, see Regulation 26 of Chapter D of the Periodic Report

2.2.2 As well as Section 16 to Chapter D of the Periodic Report. The above-mentioned references constitute a generalization by way of reference. Moreover, on August 29, 2021, Mr. Amikam (Ami) Shafran was classified as having accounting and financial expertise in accordance with the provisions of the Companies Regulations (Terms and Tests for a Director with Accounting and Financial Expertise and a Director with Professional Qualifications), 5766-2005, hence the directors' remuneration to which he is entitled was updated accordingly, to include an "expertise" supplement to an expert external director as provided in the Companies Regulations (Rules Regarding Remuneration and Expenses to an External Director).

2.3 Independent directors

It should be noted that the Company's articles of association do not contain a provision regarding the minimum number of independent directors. On February 21, 2021, Segi

Eitan and Emanuel Avner were appointed as the Company's first external directors. For further details, see the Company's Immediate Reports dated January 17, 2021, February 21, 2021 (Reference No.: 2021-01-007195 and 2021-01-020439, respectively). Also, on March 3, 2021, the Company's Audit Committee classified Ms. Michal Arlozorov as an independent director in accordance with the provisions of the Companies Law. For details regarding Ms. Arlozorov, 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 Rogozinski
Start of term of office:	24.3.2021
Skills and qualifications for the job:	Certified Public Accountant; Bachelor of Business Administration and Accounting from the College of Management; Partner, Director of Internal Audit and Business Consulting at Focus Operational Financial Consulting Services Ltd.
Organizational supervisor of Internal Auditor:	Chairman of the Board

2.4.2 Appointment of Internal Auditor

The appointment of the Internal Auditor was approved by the Company's Audit Committee on March 3, 2021 and by the Company's Board of Directors on March 21, 2021, based on the auditor's qualifications and experience as set forth above and taking into account, inter alia, the scope and complexity of the Company's activities.

2.4.3 Disclosure regarding Internal Auditor

The Internal Auditor meets the terms set forth in Section 3(a) of the Internal Audit Law, 5752-1992 ("**Internal Audit Law**"). The internal auditor meets the terms set forth in Section 146(b) of the Companies Law and the terms of Section 8 to the Internal Audit Law.

The Internal Auditor does not hold any additional position in the Company beyond its tenure as the Company's internal auditor. To the best of the Company's knowledge, the Internal Auditor does not perform a role outside the Company that creates or may create a conflict of interest with its role as the Company's Internal Auditor nor does it hold Company securities.

The Internal Auditor is not a stakeholder in the Company, does not hold an office in the Company and is not a relative of any of these, nor does it serve as the Company's accountant.

The Internal Auditor does not have material business relationships or other material relationships with the Company or even with a body affiliated to the Company.

2.4.4 **The Internal Auditor's work program**

The internal audit program is annual, derived from the multi-year audit plan determined following completion of a risk assessment that is expected to conclude in the first half of 2022, and is determined in accordance with the Internal Audit Committee's decision, with the Internal Auditor having discretion to deviate from the work plan in a non-material manner, in coordination with the chairman of the Audit Committee and in accordance with the Company's needs. The work plan focuses on the risks applicable to the Company and directs the auditor's activities to areas with higher sensitivity such as cyber and inventory management.

The internal audit program, prioritization and the frequency of audits, are affected inter alia by the following factors: Exposure to operational risks, issues and actions to be determined, inter alia, on the basis of a risk assessment which is expected to conclude in the first half of 2022, the probability of administrative deficiencies, matters requiring an audit by company organs, issues required by law, according to internal or external procedural provisions and the requirement to maintain periodicity.

2.4.5 **How the audit is conducted**

According to the Internal Auditor's provisions, the audit is conducted in accordance with accepted professional standards, as stated in Section 4(B) of the Internal Audit Law.

For the purpose of determining that the Internal Auditor's compliance with the requirements established under the Internal Audit Law, the Company's Board of Directors relies on the Internal Auditor's reports regarding its compliance with the professional standards and other provisions of the Internal Audit Law.

2.4.6 **Access to information**

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

2.4.7 **Internal Auditor's Report**

The proposed work program for 2021 was discussed by the Audit Committee on May 2, 2021 and by the Company's Board of Directors on June 3, 2021.

On November 2, 2021, the Company's Audit Committee discussed the internal auditor's audit reports regarding procurement and engagements.

The Company further intends to discuss the internal auditor's audit reports on matters pertaining to (a) Penetration and resilience; And (b) Material transactions.

The work program for 2022 includes, inter alia, conducting a risk assessment, following which an annual and multi-year work plan will be determined in accordance with its findings. A preliminary hearing on the matter was held by the Audit Committee on January 27, 2022.

2.4.8 **The Board's assessment of the Auditor's activities**

In the opinion of the Board of Directors, the Internal Auditor's scope, nature, continuity of activity and work program are reasonable in the circumstances of the case and have the potential to fulfill the objectives of an internal audit.

2.4.9 **Scope of employment and remuneration**

The scope of the Internal Auditor's employment is derived from the internal audit requirements, as determined by the Company's Board of Directors on the recommendation of the Company's Audit Committee. In 2021, the Internal Auditor was employed at a scope of approx. 480 hours and at a salary of approx. NIS 106,000. In the opinion of the Company's Board, said remuneration is reasonable and should not affect the Auditor's professional judgement when auditing the Company, and this, inter alia, bearing in mind the manner in which the Internal Auditor performs the internal auditing of the Company and the degree of detail and depth of the audit findings reports submitted by it to date.

2.5 **Details regarding the Auditor**

2.5.1 **Name of Auditor**

bbay &
ghtman
o. Firm.

1.1.1 **Auditor remuneration**

Year / Period	Fees for audit, services related to auditing and tax services in thousands of dollars	Fees for work in respect of other services in thousands of dollars (*)
2020	102	-
2021	125	6

(*) In 2021, other services included fees for consulting work related to the IPO of November 2020.

1.1.2 **Manner of determining the Auditor's fee**

The fee of the Company's Auditor is determined in accordance with the recommendation of the Company's management, in light of the assessment of the required audit work and following a comparison of fees paid to external accountants in public companies similar to the Company in terms of their scope

of activity and following negotiations. The organ approving the auditor's fee is the Company's Board of Directors.

1.2 **Repurchase program**

As of the date of publication of the report, the Company has no repurchase plan in force.

1.3 **Internal enforcement plan**

During the reporting period, the Company conducted an internal compliance enforcement survey of securities law and corporate law via an external consultant approved by the Company's Board of Directors on November 23, 2021. During the reporting period, the Company's Board of Directors established a dedicated Board committee for matters related to compliance and enforcement whose members are Michal Arlozorov, Eli Gurovitz, Segi Eitan and Emanuel Avner.

1.4 **Exemption from attaching an Auditor's report and opinion regarding the effectiveness of internal audit**

Amendment No. 3 to the Reporting Regulations ("**Amendment to Reporting Regulations**") was published on November 24, 2009, requiring the attaching of Management and Board of Directors' reports on the effectiveness of internal control over financial reporting and disclosure, as well as personal statements by the CEO and CFO regarding the effectiveness of internal control over financial reporting and disclosure ("Internal Control Effectiveness Report"). In accordance with the provisions of Section 7(b) regarding provisions for applicability of the amendment to the Reports Regulations, in the context of a corporation issuing an IPO, such amendment shall apply starting with the periodic report which includes financial statements prepared to December 31 of the year following the year in which permission was granted for publication of the Company's prospectus. In light of the fact that the Company received the permit to publish the prospectus in November 2020, the Company is for the first time required to publish the report on the effectiveness of internal control attached as Chapter E to the Periodic Report.

In addition, the Company meets the terms set forth in Regulation 9B(C1) of the Reporting Regulations and accordingly the provisions of Regulation 9B(C) to the Reporting Regulations (according to which the opinion of its Auditor regarding the effectiveness of the internal control over financial reporting and regarding material weaknesses identified in this audit, must be attached to its annual statements) shall only apply to the Company five years following the date on which it became a reporting corporation.

2. Disclosure provisions in connection with the Company's financial reporting

2.1 Use of critical accounting estimates

For details regarding the use of critical accounting estimates, see Note No. 3 to the Company's financial statements dated 31.12.2021, attached as Chapter C to the Periodic Report.

2.2 Details regarding exposure to market risks and their management

2.2.1 The person responsible for the management of market risk in the Company

The person responsible for market risks in the Company is the Company's CFO, Mr. Yossi Salmon. For further details, see Regulation 21 in Chapter D of the Periodic Report.

2.2.2 Description of market risks

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

2.2.3 The Company's policy to managing market risks, supervising it and the manner of its implementation

The CFO regularly updates the Board of Directors regarding the risks to which the Company is exposed as well as the manner in which they are dealt with, including the steps taken in preparation for dealing with such risks. At its meetings, the Board of Directors discusses how the Company manages the risks and decisions are made regarding preparations required to deal with said. The Company seeks to partially hedge the risks of exposure to changes in foreign currency exchange rates, inter alia, through future transactions for the purchase or sale of foreign currency. In the Company's estimate, the scope of hedging against exposure to exchange rate risks provides adequate protection for the cash balances in its possession and in accordance with the expectations for their use. For further details, see Note 2 to Chapter C of the Periodic Report.

2.2.4 Linkage bases and sensitivity tests

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

2.2.5 Events relating to market risks, following the date of the report on financial position

No events occurred following the date of the report in this regard.

During the reporting period and to the date of publication of the periodic report, the exchange rate of the shekel against the dollar increased by approx. 3%.

2.2.6 **Board's explanations**

As of December 31, 2021, the Company is exposed to changes in foreign exchange rates amounting to approx. NIS 12.2 million. Said exposure is mainly due to liabilities in respect of office leasing. The Company's cash balances in foreign currency are approx. $ 5 million and approx. $ 41 million in short-term deposits.

The Company's Board of Directors and Management wish to extend their appreciation to the Company's employees and managers for their contribution and dedication for the advancement of the Company.

Asher Levy - Chairman of the Board of Directors

Rami Reshef - CEO

Petah Tikva, March 29, 2022.

Gencell Ltd.

Consolidated Financial Statements as of December 31, 2021

Gencell Ltd.

Consolidated Financial Statements as of December 31, 2021

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Auditors' Report to Shareholders of

Gencell Ltd.

We have audited the attached Consolidated Statements of Gencell Ltd. (hereinafter – "Company") as of December 31, 2021 and 2020 and the Statements of Comprehensive Loss, Changes in Equity (Capital deficit) and Cash Flows for each of the two years in the period ended December 31, 2021. These financial statements are the responsibility of the Company's Board of Directors and Management. It is our responsibility to form an opinion on these financial statements on the basis of our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Accountants Regulations (Accountants Mode of Operation), 5733-1973. According to these standards, we are required to plan and perform the audit in order to obtain a reasonable degree of assurance that the financial statements do not contain a material misstatement. An audit includes the examination of a sample of evidence supporting the amounts and information in the financial statements. An audit also includes an examination of the accounting principles applied and the significant estimates made by the Company's Board of Directors and management as well as an assessment of the adequacy of the presentation in the financial statements as a whole. We believe that our audit provides a proper basis for our opinion.

In our opinion, the aforementioned consolidated financial statements adequately reflect, in all material respects, the financial position of the Company and the consolidated Company as of December 31, 2021 and 2020 and their operating results, changes in equity (capital deficit) and cash flows in each of the years ended December 31, 2021 in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

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

Tel Aviv, March 29, 2022

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Gencell Ltd.

Consolidated Statements of Financial Position

	Note	As of December 31 2021	2020
		USD thousands	
Assets			
Current assets			
Cash and cash equivalents	5	11.881	33.091
Short-term deposits		42.611	29.949
Customers	6	2.347	44
Accounts receivables and debit balances	7	2.144	1.306
Inventory	8	1.514	3.516
Total current assets		60.497	67.906
Non-current assets			
Restricted use deposits	9,14	1.927	394
Right-of-use assets, net	9	7.687	4.388
Other intangible assets, net	10	5.126	-
Fixed assets, net	11	5.411	3.035
Total non-current assets		20.151	7.817
Total assets		80.648	75.723
Liabilities and equity			
Current liabilities			
Current maturities of lease liabilities		1.273	861
Suppliers and other service providers	12	1.826	414
Creditors and credit balances	13	3.247	2.547
Total current liabilities		6.346	3.822
Non-current liabilities			
Lease liabilities		7.444	4.028
Liability in respect of employee benefits		16	-
Grant liabilities	15	621	522
Total non-current liabilities		8.081	4.550
Capital			
Share capital and premium		287.165	269.644 *
Other capital funds		22.906	20.467 *
Loss balance		(243.850)	(222.760)
Total Capital	16, 17	66.221	67.351
Total liabilities and capital		80.648	75.723

(*) Reclassification

March 29, 2022			
Financial Statements date of approval	**Asher Levy Chairman of the Board of Directors**	**Rami Reshef CEO**	**Yossi Salmon CFO**

The notes attached to the consolidated financial statements constitute an integral part thereof.

Gencell Ltd.

Consolidated Statements of Comprehensive Loss

	Note	For the Year ended December 31	
		2021	2020
		USD thousands	
Sales	18	5.542	324
Cost of sales	19	8.507	1.887
Gross (loss)		2.965	1.563
Research and development expenses, net	20	5.704	8.287
Sales and marketing expenses	21	4.780	4.158
Administrative and general expenses	22	6.973	4.615
Operating loss		20.422	18.623
Financing income		482	1.289
Financing expenses		1.085	1.717
Financing expenses, net	23	603	428
Other income		-	17
Loss before income taxes		21.025	19.034
Income taxes	29	65	20
Loss for year		21.090	19.054
Total other comprehensive income - amounts to be classified in the future as profit or loss net of tax			
Profit from hedging of cash flows, net of tax		72	-
Gross loss:		21.018	19.054
Loss per ordinary share (in dollars) of NIS 0.01 par value basic and diluted	25	0.22	1.26
Weighted average of capital stock used in calculating the basic and diluted loss per share		94,578,864	18,038,063

The notes attached to the consolidated financial statements constitute an integral part thereof.

Gencell Ltd.

Consolidated Statements of Changes in Equity (Capital deficit)

	Ordinary share capital	Premium	Capital Reserve for hedging cash flows	Capital Reserve in respect of Share Based Payment Transactions	Capital reserve in respect of transactions with shareholders	Loss balance	Total
	USD thousands						
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 profit	-	-	72	-	-	-	72
Total profit for the period	-	-	72	-	-	(21.090)	(21.018)
Share-based payment	-	-	-	5.814	-	-	5.814
Forfeiture of warrants	-	-	-	(158)	-		(158)
Expiration of warrants	-	66	-	(66)	-	-	-
Exercise of warrants to shares	2	3.714	-	(3.223)	-	-	493
Issuance of shares (less issue expenses of $ 593 thousand)	11	13.728	-	-	-	-	13.739
Total equity as of December 31, 2021	276	286.889	72	21.387	1.447	(243.850)	66.221

The notes attached to the consolidated financial statements constitute an integral part thereof.

Gencell Ltd.

Consolidated Statements of Changes in Equity (Capital deficit)

	Ordinary share capital	Premium	Convertible preference shares	Capital Reserve for hedging cash flows	Capital Reserve in respect of Share Based Payment Transactions	Capital reserve in respect of transactions with shareholders	Loss balance	Total
	USD thousands							
For the year ended December 31, 2020								
Balance as of January 1, 2020	18	1.812	127.375	-	56.100	1.325	(203.706)	(17.076)
Share-based payment	-	-	-	-	9.493	-	-	9.493
Forfeiture of warrants	-	-	-	-	(213)	-		(213)
Expiration of warrants	-	725	-	-	(725)	-	-	-
Exercise of warrants to shares	32	45,636(*)	-	-	(45.635) (*)	-	-	33
Transactions with shareholders	-	-	-	-	-	122	-	122
Issuance of convertible preference shares (less issue expenses of $ 549 thousand)	-	10.518	13	-	-	-	-	10.531
Converting convertible loans to convertible preference shares	-	24.637	44	-	-	-	-	24.681
Issuance of ordinary Company shares to the public (less issue expenses of $ 3.080 thousand)	70	58.764	-	-	-	-	-	58.834
Converting convertible preference shares to ordinary shares	143	127.289	(127.432)	-	-	-	-	-
Loss for year	-	-	-	-	-	-	(19.054)	(19.054)
Total equity as of December 31, 2020	263	269.381	-	-	19.020	1.447	(222.760)	67.351

Gencell Ltd.

Consolidated Statements of Cash Flows

	For the Year ended December 31	
	2021	2020
	USD thousands	
Cash flows from operating activities		
Loss for year	(21.090)	(19.054)
Adjustments required to present cash flows from operating activities (Appendix A)	10.296	9.111
Net cash for operating activities	(10.794)	(9.943)
Cash flows from operating activities		
Changes to restricted deposit	(1.533)	(124)
Provision of loan	(2.615)	-
Changes to short-term deposit	(12.662)	(29.949)
Investment in intangible asset	(5.126)	-
Investment in fixed assets	(2.454)	(921)
Net cash used in investing activities	(24.390)	(30.994)
Cash flows from financing activities		
Repayment of credit from banking corporations	-	(437)
Receipt of convertible loans	-	4.573
Proceeds from exercise of options	491	33
Proceeds from issuance of shares, less issue expenses	13.739	69.347
Repayment of loans received from the Company's founders	-	(281)
Receipt of grants	-	92
Payment of royalties in respect of grants received	(11)	(1)
Payment of interest for lease	(171)	(163)
Repayment of lease liabilities	(842)	(618)
Net cash provided from financing activities	13.206	72.512
Net increase (decrease) in cash and cash equivalents	(21.978)	31.575
Effect of changes in exchange rates in respect of cash balances held in foreign currency	768	1.212
Cash and cash equivalents at start of year	33.091	304
Cash and cash equivalents at year end	11.881	33.091
Material non-cash activities:		
Non-cash acquisition of fixed assets	357	-
Recognition of a right of use asset against a lease liability	4.087	4.594

The notes attached to the consolidated financial statements constitute an integral part thereof.

Gencell Ltd.

Consolidated Statements of Cash Flows

Appendix A –Adjustments required for presentation of cash flows from operating activities:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Income and expenses not entailing cash flows		
Depreciation and amortizations	1.332	946
Tax expenses	65	20
Exchange rate differences on cash balances	(768)	(1.212)
Interest expenses and exchange rate differences	991	1.470
Share-based payment expenses	5.656	9.280
	7.276	10.504
Changes in asset and liability items:		
Decrease (increase) in customers	(2.303)	191
Decrease (increase) in accounts receivable and debit balances	1.633	(767)
Increase in provision for net compensation	16	-
Decrease (increase) in inventory	2.002	(107)
Decrease in balances with Company's founders	-	(1.652)
Increase (decrease) in suppliers and other service providers	1.055	(391)
Increase in creditors and credit balances	682	1.353
	3.085	(1.373)
Taxes paid	(65)	(20)
	10.296	9.111

The notes attached to the consolidated financial statements constitute an integral part thereof

Note 1 – General

Description of the Company:

Gencell Ltd. (hereinafter - “Company” or “Group”) was incorporated and registered in Israel on February 21, 2011 in accordance with the Companies Law, as a private company limited in shares, under its current name.

As of the date of approval of its financial statements, the Company is developing, manufacturing and marketing green energy backup and power supply solutions based on alkaline fuel cells operating on hydrogen. The Company is developing fuel cells in response to a growing demand for green energy based on petroleum substitutes. The Company's activities are based in its offices located in Petah Tikva. The Company wholly owns a subsidiary, Gencell Inc, which is not active as of the date of the report.

On November 18, 2020, the Company completed an IPO of its shares by virtue of the prospectus, in the framework of which the Company's shares were listed on the TASE, and hence the Company became a public company as per the term’s definition in the Companies Law, as well as a reporting corporation, as per the term’s definition in the Securities Law.

Note 2 – Principles of Accounting Policy

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

The financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter: "IFRS Standards") and interpretations published by the International Accounting Standards Board (IASB). The main accounting policies outlined below have been consistently applied to all reporting periods presented in these financial statements, except for changes in accounting policies arising from the application of standards, amendments to the standards and interpretations that took effect at the date of reporting as set forth in Note 3.

B. The financial statements have been prepared in accordance with the Securities Regulations (Annual Financial Statements), 5770-2010 (hereinafter - "Financial Statements Regulations").

C. Pursuant to Regulation 4 of the Securities Regulations (Periodic and Immediate Reports) 5730-1970 (hereinafter in this section - "Regulations"), the Company did not attach separate financial information to these financial statements pursuant to Regulation 9C of the Regulations in light of the negligible impact of the subsidiary on the consolidated financial statements. The criteria used by the Company for examining the subsidiary's negligent impact are the financial scope of its income, assets and gross loss data which do not exceed 1% of the Group’s in consolidation.

D. Consolidated Financial Statements:

The Group’s consolidated financial statements include the financial statements of the Company and entities over which the Company has control, directly and indirectly. An investing company controls an investee when it is exposed or holds rights to variable returns arising from its holding in the investee, and when it has the ability to influence such returns by exerting force on the investee.

For the purpose of consolidation, all transactions, balances, income and inter-company expenses are totally eliminated.

E. The Group’s operating cycle period is 12 months.

Note 2 – Principles of Accounting Policy (continued)

F. Foreign Currency:

(1) Currency of activity and currency of presentation:

The consolidated financial statements of each of the Group's companies are prepared in the currency of the main economic environment in which it operates (hereinafter - "Currency of activity"). For the purpose of consolidating the financial statements, results and financial position of each of the Group's companies are presented in USD, which is the Company's currency of activity.

(2) Translation of transactions not in the currency of activity:

In preparing the Group's consolidated financial statements, transactions made in currencies other than the Company's currency of activity (hereinafter - "Foreign currency") are recorded according to the exchange rates in force at the dates of such transactions. At the end of each reporting period, foreign currency denominated monetary items are translated at the exchange rates in force at such date; Non-monetary items measured at fair value denominated in foreign currency are translated at the exchange rates at the date the fair value is determined; Non-monetary items measured in terms of historical cost are translated according to exchange rates in force at the time the transaction is made with regards to the non-monetary item.

(3) Recording exchange rate differences:

Exchange rate differences are recognized in profit and loss in the period in which they arose, with the exception of the following cases:

Exchange rate differences in respect of transactions intended to hedge specific foreign exchange risks (as per the Group's accounting policy regarding hedging transactions, see Note 2-etc.)

G. Cash and cash equivalents:

Cash and cash equivalents include cash that can be realized immediately, deposits that can be withdrawn immediately as well as fixed-term deposits that are unrestricted for use and whose maturity date, at the time of investment therein, does not exceed three months.

Deposits for which there is a restriction on use are classified under non-current assets in the restricted use deposit section.

H. Inventory:

Inventory is an asset held for sale in the ordinary course of business, in a manufacturing process for sales purposes or materials to be consumed in the manufacturing process or during the provision of services.
Inventory is presented at the lower of cost or net realizable value. Inventory cost includes all purchase costs and costs incurred in bringing inventory to its current location and state.

Net realizable value represents the estimate of the sale price in the ordinary course of business, less an estimate of costs for completion and costs required to make the sale.

The cost is determined as follows:
Raw materials, components and packaging - based on standard pricing, on a moving average basis.
Finished and products in process - based on the cost of raw materials and production costs, on an average basis.

Note 2 – Principles of Accounting Policy (continued)

I. Fixed assets:

(1) General:

A fixed asset is a tangible item, held for manufacturing purposes or supply of goods or services, or for leasing to others, who are expected to use it for more than one period. The Group presents its fixed assets items according to the cost model.

In the cost model, fixed assets are presented in the statement of financial position at cost, less accumulated depreciation, less investment grants received from the Bird Fund (see Section Q below) and less impairment from losses accrued if any. The cost includes the cost of asset acquisition as well as costs directly attributable to the transporting of the asset to the location and state required for its operation in the manner intended by management.

(2) Depreciation of fixed assets:

Depreciation of fixed assets is performed according to the straight-line method over the expected useful life of the item's components as of the date the asset is ready for its intended use while taking into account the expected residual value at the end of its useful life.

The useful life and depreciation rates used to calculate depreciation are as follows:

	Depreciation rate - %
Machines	7-10
Laboratory equipment	15
Computers and peripherals	33.33
Furniture	7-15
Lease improvements	The lease period or useful life, the lower of the two

The residual values, the depreciation method and the useful life of the asset are reviewed by the Company's management at the end of each fiscal year. Changes are treated as a change in estimate by way of "henceforth".

Profit or loss arising from the sale or removal of use of a fixed asset is determined by the difference between the receipts from its sale and its book value at the time of the sale or removal, and is imputed to profit or loss

Impairment of tangible and intangible assets:

At the end of each reporting period, the Group examines whether there are any signs of impairment of its tangible and intangible assets, other than inventory. If such signs exist, the recoverable amount of the asset is estimated for the purpose of determining the amount of impairment loss incurred, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Joint assets are also allocated to individual cash-generating units if a reasonable and consistent basis for such allocation can be identified. If it is not possible to allocate the joint assets to the individual cash-generating units on the aforesaid basis, the joint assets are allocated to the smallest groups of cash-generating units with regards to which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives as well as intangible assets not yet available for use are examined for impairment once a year, or more frequently if there are signs indicating an asset's impairment.

The recoverable amount is the higher of the fair value of the asset less sale costs and its usage value. In estimating the usage value, future cash flow estimates are deducted to their present value using a pre-tax discount rate reflecting current market estimates of the cash time value and the asset-specific risks in respect of which the future cash flow estimate was not adjusted.

When the recoverable amount of an asset (or of a cash-generating unit) is estimated to be less than its book value, the book value of the asset (or cash-generating unit) is depreciated to its recoverable amount. An impairment loss is recognized immediately as a profit and loss expense.

When an impairment loss recognized in prior periods is eliminated, the book value of the asset (or of the cash-generating unit) is increased back to the estimate of the current recoverable amount, but not more than the asset's book value (or that of the cash-generating unit) that would have existed were it not for an impairment loss recognized in its regard in previous periods. Elimination of an impairment loss is immediately recognized in profit or loss.

K. Recognition of Revenue:

Revenue is measured and recognized at the fair value of the consideration expected to be received under the terms of the Contract, less amounts collected for the benefit of third parties (e.g. taxes). Revenue is recognized in the consolidated statements of profit or loss insofar as the economic benefits are expected to flow to the Group and the revenue and costs, if applicable, can be reliably measured.

Most of the Company's revenue comes from the sale and marketing of generators used as backup and power supply systems based on the use of alkaline fuel cells (hereinafter - "Asset"). The Company also provides installation services, warranty, IOT and fuel cell support and maintenance services according to customer requirements, for consideration.

Control is usually transferred at the point of delivery of the asset to the customer and the Company meets an execution obligation. In order to determine this point in time, the Company takes into account indications of transfer of control, which primarily include the following:

- The Group has a current right for payment with regards the asset;
- The customer has legal ownership of the asset;
- The Group transferred physical possession of the asset;
- The customer holds the significant risks and benefits of owning the asset.
- The date of transfer of risks and returns is determined in accordance with the specific commercial accords and trade terms with each customer;
- The customer confirmed receipt of the asset;

The Company's products sold through agreements with exclusive distributors are non-exchangeable, non-returnable, non-refundable and devoid of price protection rights. Thus the Company deems all distributors end consumers.

When applying a contract, the Company also evaluates and determines whether a contract should be separated into more than one execution obligation. The Company has contracts where the installation of systems usually includes a one-off execution undertaking for individual adaptation to the specific needs of each customer and to a system or integrated solution.

In sales agreements which include a number of components such as systems, installation and support agreements, the revenue is split into separate execution obligations and recognized individually for each. A component constitutes a separate execution obligation if and only if it has a separate value to the customer and the pledge can be identified separately in the Contract with said customer. Recognition of revenue from the various execution obligations is recognized at a point in time or over a period in which such obligation is met.

Note 2 – Principles of Accounting Policy (continued)

K. Recognition of Revenue (continued):

When allocating the total consideration in the Contract, the Company estimates the separate selling price of each execution obligation identified. In cases where the separate selling price is not directly viewable, the Company estimates the separate selling price of each execution obligation according to a projected cost approach plus margin, and in cases where the Company cannot estimate the projected cost it applies the residual approach only if it has yet to set a price for such goods or service and they have not been previously sold separately or when such goods or service are sold to different customers at a wide range of prices.

The installation process is an insignificant part of the revenue generating process, its costs are immaterial and it is carried out shortly following delivery to the customer.

Liability:

For the purpose of assessing whether warranty provides the customer with a separate service, the Group examines, inter alia, the following characteristics: Does the customer have the option to purchase a separate warranty; Is liability required by law; The length of the warranty period and the nature of the actions the Group promises to perform. When the warranty services are provided to ensure the quality of the work and compliance solely with the specifications agreed upon between the parties, they do not constitute an additional service provided to the customer. Thus, in these situations the Group does not recognize the warranty as a separate execution liability but treats it in accordance with the provisions of IAS 37 and recognizes the provision for warranty based on an estimate of the cost of the said services.

Recognition of revenue from the provision of services:

The Group provides fuel cell support and maintenance services for a fee. These services constitute a long-term execution liability since the customer simultaneously receives and consumes the benefits provided by the Group's execution insofar as performed by the Group, and the Group also recognizes such services as a separate execution liability and recognizes the revenue over the service period.

In transactions involving a third party for the provision of services or products to the customer, the Company examines whether it is acting vis-a-vis the customer as a primary supplier or as an agent. In transactions in which the essence of the Company's pledge is to ensure that such goods or services are provided by the same third party, the Company's revenues from the transactions are presented on a net basis. Revenues in respect of transactions in which the Group is the primary supplier are presented on a gross basis.

L. Income taxes:

In light of losses for tax purposes accrued at the Company, and due to a lack of expectation of the existence of taxable income in the foreseeable future, the Company does not impute deferred taxes in respect of losses for tax purposes and temporary differences in the value of assets and liabilities between the financial statement and the statement for tax purposes.

M. Research and development costs:

Costs for research activities are imputed to profit or loss upon their occurrence, less grants and participation in costs.

Costs incurred in respect of development projects are recognized as intangible assets if and only if all of the following terms are met:

Note 2 – Principles of Accounting Policy (continued)

- There is a technical feasibility for completion of the intangible asset so that it is available for use or sale;
- The Company intends to complete the intangible asset and use or sell it;
- The Company has the ability to use or sell the intangible asset;
- The manner in which the asset will generate future economic benefits can be determined;
- The Company has technical, financial and other resources available to complete the development and use or sale of the intangible asset; and
- Costs during development, attributable to the intangible asset, can be measured reliably.

When an internally created intangible asset cannot be recognized, development costs are imputed to the statement of profit or loss upon their occurrence.

As of 1.1.2021 the above terms manifested, hence development costs were capitalized (see Note 10).

N. Share based payments:

Share-based payments to employees and others providing similar services, settled through the Group's equity instruments, are measured at fair value at the date of granting. At the date of granting, the Company measures the fair value of the equity instruments granted by using the Black-Scholes-Merton model and/or on the basis of the fair value of the Company's shares, as applicable (for measurement of the fair value of share-based payments, see Note 17). When the equity instruments granted do not mature by the time said employees complete a defined period of service, meet performance criteria or certain market conditions are met, the Company recognizes the share-based payment arrangements in the financial statements over the vesting period against an increase in equity, under the item "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. A change in an estimate in relation to previous periods is recognized in profit or loss over the balance of the vesting period.

O. Financial assets:

(1) General:

Financial assets are recognized in the statement of financial position when the Group becomes party to the instrument’s contractual terms.

Investments in financial assets are first recognized at fair value, plus transaction costs, except for financial assets classified in the fair value category through profit or loss, which are first recognized at fair value. Transaction costs in respect of financial assets at fair value through profit or loss are imputed as an immediate expense in profit or loss.

Following first recognition, financial assets will be measured at amortized cost or fair value depending on their classification.

(2) Classification of financial assets:

Debt instruments are measured at depreciated cost when the following two terms are met:

- The Group's business model is to hold the assets in order to collect contractual cash flows, and
- The contractual terms of the asset set exact dates on which the contractual cash flows shall be received which constitute principal and interest payments only.

Note 2 – Principles of Accounting Policy (continued)

O. Financial assets (continued):

Accordingly, the Company presents customer balances, receivables, cash and deposits in banks at depreciated cost.

All other financial assets are measured at fair value through profit or loss:

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

Amortized cost of a financial asset is the amount by which the financial asset is measured upon first recognition less principal payments, plus or less the cumulative depreciation, whilst using the effective interest method, of any difference between the initial amount and the repayment amount, adjusted in respect of any provision for loss.

The effective interest method is a method used to calculate the amortized cost of a debt instrument and the allocation and recognition of the interest income in profit or loss over the relevant period.

Interest income is calculated using the effective interest method. The calculation is performed by applying the effective interest rate to the gross book value of a financial asset.

(4) Impairment of intangible assets:

With regards to customers, the Group chose to apply the facilitative approach for measuring the provision for impairment according to the probability of insolvency throughout the lifetime of the instrument. The expected credit losses in respect of these financial assets are estimated using a provision matrix based on the Group's past experience regarding credit losses and adjusted to factors specific to the borrower, general economic conditions and an assessment both of their current trend and forecasted trend at the reporting date including the time value of money as necessary.

For all other financial instruments, the Group recognizes a provision for impairment according to the projected credit losses throughout the life of the instrument when there is a significant increase in the credit risk from the date of their first recognition. If on the other hand the credit risk of the financial instrument has not increased significantly from the date of its first recognition, the Group measures the provision for impairment according to the probability of insolvency over the next 12 months. The test of whether to recognize a provision for impairment according to the projected credit losses throughout the life of the instrument is based on the risk of failure from the date of first recognition and not only when there is objective evidence of impairment at the reporting date or when such failure occurs in practice.

Significant increase in credit risk

When assessing whether the credit risk of a financial instrument has increased significantly since first recognition, the Group compares financial instrument’s risk of failure at the reporting date with its risk of failure at first recognition taking into account reasonable quantitative and qualitative information which can be grounded, including past experience and forward looking information. Forward looking information accounted for includes forecasts of the borrowers' industries, obtained from economic expert reports, analysts, government bodies and other similar organizations.

Note 2 – Principles of Accounting Policy (continued)

The Company takes into account the following information when assessing whether the credit risk has increased significantly from the date of first recognition:

- Actual significant change or projected significant change in the external credit rating of the financial instrument;
- Significant changes in external market indices of a credit risk in respect of a particular financial instrument e.g.: significant increase in credit spread, prices of credit failure replacement contracts in respect of the borrower, timespan or extent to which the fair value of a financial asset was lower than its depreciated cost;
- Actual or predicted changes, having a negative impact on the business, financial or economic conditions expected to cause a significant change in the borrower's ability to meet its debt obligations;
- Significant actual or projected change in the borrower's operating results;
- Actual or predicted changes having a negative impact on the borrower's regulatory, economic or technological environment, causing a significant change in the borrower's ability to meet its debt obligations.

The Company assumes that regardless of the results of the above assessment, the credit risk of a financial instrument has increased significantly when the contractual payments in its regard are over 30 days in arrears unless the Company has reasonable and verifiable information to prove otherwise.

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

(1) Classification as a financial liability or as an equity instrument:

Liabilities and equity instruments issued by the Group are classified as financial liabilities or as an equity instrument depending on the nature of the contractual arrangements and definition of a financial liability and an equity instrument.

(2) Equity Instruments:

An equity instrument is any contract attesting to a residual right in the Group's assets after deducting all of its liabilities. Equity instruments issued by the Group are recorded according to their issuance proceeds, less expenses directly related to the issuance of such instruments.

(3) Financial liabilities:

Financial liabilities are presented and measured at amortized cost.

Accordingly, they are first recognized at fair value after deducting transaction costs. Following first recognition said financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method for calculating the depreciated 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 accurately deducts the projected flow of future cash flows over the expected useful life of the financial liability to its value in the books, or where appropriate, over a shorter period.

Note 2 – Principles of Accounting Policy (continued)

(4) Deduction of financial liabilities:

The Group deducts a financial liability when and only when the financial liability is repaid, revoked or expires. The difference between the book value of the financial liability settled and the consideration paid is recognized in profit or loss.

Q. Leases:

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

The lease term is the non-cancellable period in respect of which the lessee holds the right of use of the leased property in addition to:

- Periods covered by an option to extend the lease if there is reasonable certainty that the lessee will exercise such option, as well as
- periods covered by an option to cancel the lease if there is reasonable certainty that the lessee will not exercise such option.

In determining the lease term, the Group has taken into account extension options which as of the commencement of the lease are reasonably likely to be exercised by it. The reasonableness of exercising the extension options was examined taking into account, inter alia, lease payments during the extension periods in relation to market prices, significant improvements in the leasehold executed by the Group and expected to have a significant economic benefit for the Group during the extension period, costs pertaining to termination of the lease (conducting negotiations, vacating the current property and locating an alternative one), the importance of the property to the Group's activities, the location of the leased property and availability of suitable alternatives.

The lease liability is first measured by the current value of the lease payments still due at the commencement date. For the purpose of said calculation, the Group uses its supplementary interest rate.

The lease payments included in the measurement of the lease liability consist of the following payments:

- Fixed payments (including fixed payments in essence) less any lease incentives;
- Variable lease payments index dependant, first measured by using the index at the start date;

The lease liability is presented in a separate section under current and non-current liabilities in the statement of financial position. Lease liability is then measured by increasing the book value to reflect interest on the lease liability using the effective interest method and by reducing the value in the books to reflect the lease payments made.

The Group re-measures the lease liability (against adjustment to the right of use asset) when there is a change in future lease payments, when there is a change in amounts due under a residual value guarantee. In this case the lease liability is measured by capitalizing the updated lease payments using the original cap rate (unless the change in lease payments is due to a change in variable interest rates, in which case an updated cap rate is used).

Note 2 – Principles of Accounting Policy (continued)

Q. Leases: (continued)

The cost of the right of use asset consists of the initial measurement of the lease liability and any lease payments made at or prior to the commencement date. Subsequently, a right of use asset is measured by cost less accumulated depreciation and impairment losses.

The right of use asset is presented in a separate section in the statement of financial position. The right of use asset is measured according to the cost model and depreciated in a straight line over the shorter of the lease term and the useful life of the underlying asset. Depreciation begins on the date the lease commences.

The Group implements the provisions of IAS 36 Impairment of Assets in order to determine whether the right of use asset has been impaired and to address any loss from depreciation identified. See Note 2J.

R. Bird Foundation Grants:

Grants received from the Bird Foundation, which the entity is required to repay plus interest, subject to specific terms and which do not constitute loans that can be forgiven, are first recognition as a financial liability, at fair value, based on the present value of the cash flows expected for repayment of the grant, deducted at a cap rate reflecting the research and development project's risk level. The difference between the grant consideration and the liability amount is recognized as a decrease in the research and development expenses for which it was received or a decrease in the balance of the fixed asset item acquired, as the case may be.

In subsequent reporting periods, the financial liability is measured at the present value of the cash flows expected to be paid in the future, capitalized at the liability's original interest rate each period, and the changes in the time value are imputed to financing expenses in the profit and loss statement. Changes in liability reflecting a change in the Company's revenue forecast are imputed to financing expenses in the profit and loss statement.

For further information, see Note 4A.

S. Provisions:

Provisions are recognized when the Group has a legal or implied liability resulting from a past event, in respect of which the use of economic resources is expected, which can be reliably measured, to settle such liability.

The amount recognized as a provision reflects management's best estimate of the amount required to settle the current liability at the date of reporting whilst taking into account risks and uncertainties entailed in such liability. When the provision is measured using projected cash flows for settlement of the liability, the book value of the provision is the current value of the projected cash flows. Changes in time value shall be imputed to profit or loss.

When all or part of the amount required to settle the current liability is expected as repayment by a third party, the Company recognizes the asset in respect of said restitution up to the value of the provision recognized, only when it is virtually certain that the indemnity will be accepted and can be reliably estimated.

Note 2 – Principles of Accounting Policy (continued)

T. Employee Benefits:

(1) Post-employment benefits:

Labor Law in Israel and the "Dismissal Compensation Law, 5723-1963" (hereinafter -Law) require the Company to pay employees severance pay upon their dismissal or retirement (including employees who leave the workplace under other specific circumstances). The calculation of liability following termination of employee-employer relationship is performed in accordance with a valid employment agreement, based on the employee's salary, which in the opinion of management produces the right for compensation.

The Group's post-employment benefits include a pension, a commitment to severance pay and redemption of sick days. The Group's post-employment benefits are partly defined contribution plans and partly defined benefit plans. Expenses in respect of the Group's commitment to deposit funds under a Defined Contribution Plan are imputed to profit or loss, or capitalized to the cost of the asset "Assets for Employee Benefits" at the rendering of services for which the Group is obliged to make such contribution. The difference between the deposit amount due and the total deposits paid is presented as "Liability due to employee benefits". When the total contributions paid exceed those required for the service rendered up to the date of reporting, and such surplus may lead to a reduction in future deposits, or a refund, the Group recognizes the asset.

Expenses in respect of a Defined Benefit Plan are recognized in profit or loss, or capitalized to the cost of the asset "Assets for Employee Benefits" in accordance with the projected Unit Credit Method using actuarial assessments made at the end of each reporting period. The present value of the Group's liability in respect of a defined benefit plan as of December 31, 2021 is determined by capitalizing expected future cash flows in respect of the plan while placing a cap rate which is appropriate to the market yields of high-quality corporate bonds denominated in the currency in which the benefits in respect of the plan are to be paid, with redemption terms roughly identical to the plan’s projected settlement dates. In accordance with the Group's accounting policy, the net interest expense is included under financing expenses/general and administrative expenses/cost of sale in the profit or loss statement.

Actuarial gains and losses are charged to other comprehensive income at the time of their incurrence, or capitalized to the cost of the asset "Assets for Employee Benefits". Past Service Cost reductions or discharges are recognized in profit or loss on the date the plan is amended or on the date of recognition of costs in respect of a structural change related to IAS 37 or as benefits in respect of dismissal, whichever is earlier. Actuarial gains and losses imputed to other comprehensive income are not reclassified to profit or loss at a later date.

The plan assets are measured at fair value. Interest revenue on plan assets is determined on the basis of the liability’s cap rate at the start of the period and imputed to profit or loss as part of the net interest expense. The difference between the interest income on plan assets and the total return on plan assets is imputed to other comprehensive income and not reclassified to profit or loss at a later date.

The Group's liability for a defined benefit plan presented in the statement of financial position includes the present value of liability in respect of a defined benefit less the fair value of the plan's assets. A net asset arising from such calculation, is limited to the amount of future economic benefits available to the Group by a reduction in future contributions or a refund, whether directly to the Group or indirectly to another plan that is in deficit (hereinafter - "Ceiling amount").

Note 2 – Principles of Accounting Policy (continued)

T. Employee Benefits: (continued)

(1) Post-employment benefits: (continued)

Most of the Company's employees are contracted in accordance with Section 14 of the Law, under which the Company's current deposits in pension funds and/or in insurance company policies exempt it from any additional liability to employees in respect of which said amounts were deposited. The Company will not have a legal or implied obligation for additional payments if the plan does not have sufficient assets to pay all employee benefits relating to employee's service in the current and previous periods. The Company's contributions in respect of employees contracted under Section 14 as part of a Defined Contribution Plan are imputed to profit or loss on the date services are rendered, in respect of which the Group is liable for the contributions. The difference between the contribution amount due 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 settled in full 12 months prior to the end of the year in which the qualifying service is rendered by the employee.

Benefits for short-term employees in the Company include the entity's liability in respect of wages, vacation and convalescence, such benefits are imputed to profit or loss upon incurrence. Benefits are measured on a non-capitalized basis which the entity is expected to pay. The difference between short-term benefits to which an employee is entitled and amounts paid in their respect is recognized as a liability.

U. Loss per share:

The Company calculates the basic loss amounts per share by dividing the loss attributable to the Company's ordinary shareholders by the weighted average of the number of ordinary shares in circulation during the reporting period.

V. Classification of interest and dividends paid/received in the statement of cash flows:

The Group classifies cash flows in respect of interest and dividends received as cash flows from investment activities, as well as cash flows in respect of interest paid as cash flows used in financing activities. Cash flows from income taxes are generally classified as cash flows used for current operations, except for those that can be easily identified with cash flows used for investment or financing activities. Dividends paid by the group are classified as cash flows from financing activities.

W. Hedging cash flows:

The Company applies cash flow hedging accounting in respect of future transactions for the purchase or sale of foreign currency intended to secure export returns and payment for imports linked to foreign currency as well as for securing wage payments.

The effective portion of changes in the value of financial instruments designated for hedging cash flows is imputed to other comprehensive income under "Other comprehensive income" and the non-effective portion is recognized immediately in profit or loss.

Amounts previously recognized as other comprehensive income and accrued in equity are reclassified to profit or loss in periods in which the hedged item affects the profit or loss, under the same section as the hedged item. However, when a projected hedged transaction leads to the recognition of a non-financial asset or a non-financial liability, the profits and losses previously recognized in other comprehensive income and accrued in equity are deducted from equity and

included in the initial measurement of the cost of the asset or non-financial liability. This transfer does not affect the other comprehensive profit.

The Company ceases to apply hedge accounting only when the hedging relationship (or part thereof) does not meet the criteria for hedging effectiveness (following rebalancing, if relevant). This includes instances where the hedging instrument expires or is sold, revoked or exercised. Termination of hedging is treated on the basis of "henceforth". Any gain or loss recognized in other comprehensive income and accrued in equity at that date remains in equity and is reclassified to profit or loss when the projected transaction is ultimately recognized in profit or loss. When the projected transaction is no longer expected to materialize, the profit or loss accrued in equity is immediately recognized in profit or loss.

Note 3 - New financial reporting standards

Amendments to standards that have been published and are not yet in force, and have not been subject to preliminary adoption by the Group, and which are expected or may have an impact on future periods:

- **Amendment IAS 1 "Presentation of Financial Statements" (regarding classification of liabilities as current or non-current):**

  The amendment clarifies the existing requirements for classifying liabilities as current or non-current in the statement of financial position as follows:

  - Clarification was added to Sections 69 and 73 of the Standard, which emphasizes that in order for a liability to be classified as non-current, the right to defer settlement must exist up until the end of the reporting period.
  - The words "non-contingent" were removed from Section 69 of the Standard and a new paragraph added clarifying that if the right to defer settlement is contingent upon compliance with financial benchmarks, the right exists if the entity meets the benchmarks set at the end of the reporting period, even if the examination of such compliance is performed by the lender at a later date.
  - It was clarified that the examination of the classification of the liability as non-current will be performed with regard to the entity's right and not in accordance with the forecast of whether such right will be exercised.

  A definition has been added to the term "settlement". According to the definition, "for the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the opposite party resulting in the extinguishment of said liability". A transfer can be cash, goods and services or the entity's own instruments. In this context, it was clarified that if under the terms of the liability, the opposite party has an option to demand settlement through the entity's equity instruments, this term shall not affect the classification of the liability as current or non-current if the option is classified as a separate equity component in accordance with "IAS 32 Financial Instruments: Presentation".

  The amendment will be applied retrospectively in respect of annual reporting periods commencing on or after January 1, 2023. Early application is possible.

Note 4 - Critical accounting considerations and key sources for uncertainty estimates

In implementing the Group's accounting policy as set forth in Note 2 above, the Company's management is required in certain cases to exercise extensive accounting judgment regarding estimates and assumptions regarding the value in the books of assets and liabilities, information that is not necessarily available from other sources. The associated estimates and assumptions are based on past experience and other factors deemed relevant. Actual results may differ from such estimates.

The estimates and their underlying assumptions are reviewed by management on an ongoing basis.

Note 4 - Critical accounting considerations and key sources for uncertainty estimates (continued)

Changes in the accounting estimates are recognized only in the period in which a change in the estimate was made, insofar as such change affects that period alone or is recognized in said period and in future periods in cases where the change impacts both the current period and future periods.

A. Liabilities for grants from the Bird Foundation:

In accordance with the accounting treatment in Note 2'O', the Company's management must examine whether there is reasonable assurance that the grant received will be repaid.

The present value of liabilities for payment of royalties to the Bird Foundation (see Note 14) depends on the forecasts and assumptions of the Company's management regarding the Company's future income and capitalized interest.

In estimating the present value of future cash flows expected to be required to cover the Bird Foundation liability, the Company estimates that the Bird Foundation grants will be repaid by 2025 based on the Company's aggregate sales forecast in the coming years.

Management's forecasts regarding aggregate sales to the end of repayment of the above grants are based on the Company's plans for the sale of its products in the coming years.

The cap rate for grants received from the Bird Foundation is 20%.

B. Capitalization of research and development expenses:

In accordance with the accounting treatment as stated in Note 2M, the Company's management must examine whether the terms for recognizing expenses in respect of development projects as intangible assets are met. In the Company's estimate, as of December 31, 2021, the terms for recognizing expenses in respect of development projects as intangible assets have been met (see Note 10).

C. Determining projected credit Losses

In accordance with the accounting treatment as stated in Note 2'O' (4), the Company applies the guidelines set forth in IFRS 9 for assessment of the projected credit losses of financial assets measured at depreciated cost. This assessment requires the exercise of significant judgment and the use of forecasts for measuring projected credit losses. In exercising its discretion, the Company takes into account, inter alia, the analysis of the age of the financial asset's balance, history of bad debts, debt repayment conduct, financial soundness and short-term analysis of debtor's business. See also Note 7 and Note 26F regarding exposure to credit risks in respect of financial assets.

Note 5 – Cash and Cash Equivalents

Composition:

	As of December 31	
	2021	2020
	USD thousands	
USD	4.837	2.592
Israeli currency	6.866	30.300
EURO	105	114
Pound Sterling	73	85
	11.881	33.091

Note 6 – Customers

Composition:

	As of December 31	
	2021	2020
	USD thousands	
Open accounts	2.347	79
Provision for doubtful debt	-	(35)
	2.347	44

Note 7 - Accounts receivables and debit balances

Composition:

	As of December 31	
	2021	2020
	USD thousands	
Institutions	176	691
Advance payments to suppliers	699	583
Deposits	81	-
Loan granted, net (A)	1.115	-
Others	73	32
	2.144	1.306
(A)		
Loan granted (1)	2.615	-
Less provision for projected credit losses (1)	(1.500)	-
	1.115	-

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

Note 8 – Inventory

A. Composition:

	As of December 31	
	2021	2020
	USD thousands	
Raw materials	1.054	673
Goods in process	290	1.611
Finished product	170	1.232
	1.514	3.516

B. Further information:

	As of December 31	
	2021	2020
	USD thousands	
The amount of inventory recognized as an expense during the period	4.761	288
The amount of inventory impairment recognized as an expense during the period	538	-
	5.299	288

Note 9 - Leases

A. In November 2014, the Company signed a fourth amendment to the sub-lease agreement for its offices and plant in Petah Tikva starting May 2011, which was due to end on April 30, 2021. As security for the Company's compliance with the agreement, it provided the lessor a bank guarantee of $ 234 thousand.

In May, 2020, the Company extended the lease agreement under which it leases offices (as well as approx. 30 parking spaces), laboratories and production area over a total area of approx. 3,000 sqm, for the period ended April 30, 2023. Under the above lease agreement, the Company pays a monthly rent and management fees for the leasehold amounting to approx. $ 75 thousand (approx. NIS 256 thousand) plus VAT and linkage differentials. On March 4, 2021, the Company entered into an amendment to the lease agreement under which the leasehold area will be increased by approx. 1,408 sqm, of which approx. 658 sqm for offices and approx. 750 square meters for production area ("Amendment to the lease agreement" and "Addition to leasehold", as the case may be), as well as for extension of the agreement term to May 8, 2024. The Company has two options for extension, each for a period of three years. As of the date of reporting the Company is reasonably confident that it will exercise the extension options in respect of the building. In respect of said addition to the leasehold, and having received various "grace" periods set forth in the amendment to the lease agreement, the Company will pay monthly rent and management fees amounting to approx. NIS 92,270 (approx. $ 29,668) plus VAT and linkage differentials. As of December 31, 2021, the Company is still in the grace period and is paying a monthly rent of NIS 44,770 (approx. $ 14,395) in respect of the additional areas. Under the agreement, the Company provided a bank guarantee against a pledged deposit of approx. $ 306 thousand to secure the lease agreement.

On February 1, 2022, the Company entered into an additional amendment to the lease agreement, according to which the leasehold area will be increased by approx. 524 sqm at a cost of approx. NIS 65 (approx. $ 21) per sqm, used to increase office space and increase its research and development activity for the period ending May 8, 2024. In return for the leasehold, the Company will pay monthly rent and management fees amounting to approx. $ 10,640 (approx. NIS 34,060) plus VAT and linkage differentials. The Company has two options for extension, each for a period of three years. As of the date of reporting the Company deems it very probable that it will exercise the extension options in respect of the building.

In May 2017, the Company signed a warehouse lease agreement for three years, with an option for an additional year. During 2020, the Company exercised the option for an additional year. As security for the Company's compliance with the agreement, it provided the lessor a bank guarantee of $ 15 thousand.

During August 2021, the Company extended the lease agreement under which it leases its equipment warehouse in Sugula for a period ending October 7, 2022. Under the above agreement, the Company pays monthly rent and management fees amounting to NIS 16,208 (approx. $ 5,211) plus VAT; in May, 2022 the price for rent and management fees will increase by 5%. Accordingly it created an asset and liability in respect of the warehouse amounting to $ 48 thousand.

During 2019-2021 the Company entered into car leasing agreements for its employees, the lease period being 3 years with an option to extend the period subject to certain terms.

As of December 31, 2021, the Company has provided a bank guarantee amounting to approx. $ 555 thousand to secure the aforementioned lease agreements.

Note 9 - Leases (continued)

B. Right-of-use assets:

2021:

	Lease of buildings	Vehicles	Total
	USD thousands		
Cost:			
Balance as of January 1, 2021	6.116	384	6.500
Index revaluation	225	-	225
Additions	4.586	247	4.833
Deductions	(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

2020:

	Lease of buildings	Vehicles	Total
	USD thousands		
Cost:			
Balance as of January 1, 2020	1.560	384	1.944
Index revaluation	(38)	-	(38)
Additions (Deductions)	4.594	-	4.594
Balance as of December 31, 2020	6.116	384	6.500
Accumulated depreciation:			
Balance as of January 1, 2020	1.314	173	1.487
Additions (Deductions)	538	87	625
Balance as of December 31, 2020	1.852	260	2.112
Depreciated cost as of December 31, 2020	4.264	124	4.388

C. Amounts recognized in profit or loss and in the statement of cash flows:

	For the year ended December 31	
	2021	2020
	USD thousands	
Depreciation expenses in respect of right-of-use assets	896	625
Interest expenses in respect of lease liabilities	669	628

Note 10 - Intangible assets

A. Intangible assets:

2021:

	Product development A5 (FOX)	Product develop ment G10	Product develop ment BOX	Total
	USD thousands			
Cost:				
Balance as of January 1, 2021	-	-	-	-
Capitalization of expenses for development activities	2.492	925	1.709	5.126
Balance as of December 31, 2021	2.492	925	1.709	5.126

B. As of January 1, 2021, the Company has concluded that the terms for capitalizing development expenses in accordance with the provisions of International Accounting Standard 38 (IAS38) have matured, with regards to three main projects:

(1) Product Development - A5 (FOX) - The product is in advanced stages of development. Moreover, the Company has already begun testing the product outside its laboratories with partners and potential customers which has proven the system's effectiveness. The Company foresees a very high level of technical feasibility for completion of its development by January, 2023.

(2) BOX product development - The product is in advanced stages of development, the Company foresees a very high level of technical feasibility for completion of its development by January, 2023.

(3) G10 Product development - The product is in advanced stages of development, the Company foresees a very high level of technical feasibility for completion of its development by December, 2023.

Note 11 – Fixed Assets

2021:

	Machines	Laboratory equipment	Computers and peripherals	Lease improvements	Furniture	Total
	USD thousands					
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 31, 2021	986	1.432	252	271	32	2.973
Depreciated cost As of December 31, 2021	2.939	800	309	1.064	299	5.411

2020:

	Machines	Laboratory equipment	Computers and peripherals	Lease improvements	Furniture	Total
	USD thousands					
Cost:						
Balance as of January 1, 2020	2.485	1.651	208	262	45	4.651
Additions during the year	778	49	20	6	68	921
Balance as of December 31, 2020	3.263	1.700	228	268	113	5.572
Accumulated depreciation:						
Balance as of January 1, 2020	691	1.195	132	190	8	2.216
Additions during the year	138	107	45	26	5	321
Balance as of December 31, 2020	829	1.302	177	216	13	2.537
Depreciated cost As of December 31, 2020	2.434	398	51	52	100	3.035

Note 12 - Suppliers and other service providers

Composition:

	As of December 31	
	2021	2020
	USD thousands	
Open accounts	1.818	376
Repayment of checks	8	38
	1.826	414

Note 13 - Accounts Payable and Credit Balances

Composition:

	As of December 31	
	2021	2020
	USD thousands	
Wages and employees	2.036	1.321
Institutions	273	531
Expenses payable	289	178
Provision for liability	78	12
Liability for grants	20	12
Advances from customers	271	150
Advance income (1)	255	258
Other creditors	25	85
	3.247	2.547

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

Note 14 - Material Engagements

A. During the years 2020-2021, the Company signed agreements with four of its customers for the re-purchase of 15 G5 units in order to meet the delivery dates of the systems for the 2021 pipeline, said agreements amounted to approx. $ 690 thousand.
During 2021 all 15 units were sold as part of the transaction with CFE.

B. On February 22, 2021, the Company entered into a framework agreement ("Agreement") with TDK for TDK's participation in the Company's "Green Ammonia" project which aims to develop a product that enables the production of "Green Ammonia" (Ammonia production without any CO2 emissions) ("Project"). The project will be carried out in three development phases, with regards to each of which the Company will sign a specific project agreement with TDK (as of the date of reporting the first phase has already been signed). Under the agreement, TDK will participate in financing part of the project costs amounting to approx. one and a half million USD, subject to meeting certain development goals. Under the agreement, all intellectual property developed in the project is exclusively owned by the Company. In return for financing and within the strategic cooperation set forth in the agreement, TDK will be entitled, inter alia, to receive updates and reports (from time to time) regarding the progress of the project and its products, first right to examine and acquire a prototype product within the project (on the dates specified in the agreement) as well as first right to negotiate a commercial agreement pertaining to the project products in Japan and other territories as may be agreed upon, which may include sales rights, production, service and/or license on an exclusive basis (on the dates and terms set forth in the agreement). As of December 31, 2021, the Company received a first payment

Note 14 - Material Engagements (continued)

under the agreement amounting to approx. $ 483 thousand and recognized a depreciation in research and development expenses for the entire amount.

On February 27, 2022, the Company informed TDK that it had reached a significant scientific breakthrough that enables the production of green ammonia directly from water at very low pressure and temperature relative to the ammonia production processes currently known in the world. Accordingly, TDK informed the Company, having examined said breakthrough, of its intention to exercise its right and continue investing in the project under the terms of the agreement, for the purpose of further developing the project in the context of the next milestone.

C. During 2020, the Company entered into an agreement with the EUROPEAN COMMISSION ("Organization"), which entered into force in November, 2020, under which the Company would participate in the Horizon 2021 project in collaboration with a number of different entities from around the world. The agreement stipulates that the Company would participate in a number of trials of its systems and will be entitled to receive indemnification from the organization for its expenses in connection with said trials, amounting to EUR 355,625 (approx. $ 422,409) which would be spread over a period of two years. As of the date of reporting, the Company has received indemnification amounting to approx. EUR 213,375 (approx. $ 241,327) and has recognized a depreciation in research and development expenses amounting to approx. $ 7 thousand.

D. On December 19, 2020, the Company learnt that it had won a tender, together with a local partner in Mexico (hereinafter "Local partner"), conducted by the Federal Electric Company of Mexico CFE ("Tender" and "CFE" respectively) for the supply and installation of 37 G5rx systems adapted for work in transformer stations ("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 a bank guarantee totalling $ 1.2 million and deposited an identical sum as a pledged deposit. During January-February 2021, 37 of the Company's systems were shipped to Mexico as part of the tender with CFE and arrived at their destination in April 2021.

On July 3, 2021, the Company signed a joint transaction agreement with the local partner in Mexico (hereinafter "Agreement"). The agreement stipulates that the Company will be responsible for supplying the 37 systems under the terms signed in the tender with CFE and that works related to the installation and maintenance of the systems and their ongoing care will be carried out through the local partner and not the Company, with the total consideration in respect of the agreement being $ 5.8 million, divided between the local partner and the Company. Accordingly, the Company is entitled to a total of approx. $ 3.8 million for the supply of the systems, training of the local partner's employees, and support of the local partner throughout the service period. It was further agreed that the local partner would provide CFE with installation and maintenance services provided as part of the tender for a period of two years from the date installation of the systems is completed. The local partner will bear the expenses for the provision of the above services. Under the agreement, it was agreed that the local partner will collect all payments for the tender directly from CFE and transfer to the Company its share in accordance with the terms described above.

It should be noted that in accordance with the terms of the tender, CFE was granted the right to increase the number of systems to be installed by the Company by 100%, thus a total of 74 systems, under terms equal to those of the tender. On August 17, 2021, the Company announced that CFE had exercised its aforesaid right and therefore the Company would be entitled to receive an expected consideration for the supply of the additional systems and additional services, amounting to approx. $ 3.5 million, so the total consideration expected for the tender is approx. $ 11.6 million, of which approx. $ 7.3 million is the Company's share.

It should be noted that in view of delays in the installation of the systems, CFE offset a sum equal to 10% of the total tender consideration, of which approx. $ 580 thousand will be offset from the Company’s share so that the total consideration expected by the Company under the tender is approximately $ 6.75 million.

Note 14 - Material Engagements (continued)

During the reporting period the Company supplied all 74 systems to CFE and completed their testing in accordance with the terms of the tender. As of December 31, 2021, the installation of 41 systems out of 74 was completed.
The total revenue recognized in the Company's books for 2021 in respect of the tender is $ 5,226 thousand.

As of December 31, 2021, approximately $ 3 million were transferred to the Company by the local partner, from payments it had collected from CFE. During the first quarter of 2022 an additional amount of approx. $ 1.3 million was transferred to the Company.

Loan to local partner:

Under the agreement between the Company and the local partner it was stipulated that the Company would grant it a loan bearing an annual interest rate of 5% and as of December 31, 2021, the loan balance was approximately $ 2.6 million. There is no arranged repayment schedule for the repayment of the loan and its repayment depends on the payments received from CFE.

The Company recognized a provision for credit losses amounting to approx. $ 1.5 million in respect of the loan granted, in light of doubts regarding the ability to collect said amount.

As of December 31, 2021, the balance of debtors and customers recorded in the books for amounts owed by the local partner to the Company under the joint transaction, stands at approx. $ 3.4 million (approx. $ 2.3 million for the systems and services provided by the Company under the tender and it must collect payments directly from CFE; And a total of approx. $ 1.1 million in respect of the loan granted, net).

E. On November 14, 2021, the Company entered into an agreement with EV Motors Ltd., an Israeli company which operates, inter alia, in the import of electric vehicles, chargers for electric vehicles, production and storage facilities of electrical energy, and which serves as the sole representative in Israel of a number of companies, including Sun Surplus Energy Co. Ltd., a Chinese corporation specializing in the design, development, production and construction of advanced electrical energy production, storage and charging systems, including for electric vehicles (”Cooperation agreement”). The cooperation agreement stipulates principles of cooperation between the parties, according to which the Company’s systems which produce electrical energy from hydrogen and/or clean, emission-free ammonia, will be integrated into EV's hybrid vehicle charging systems, with the aim of designing and establishing projects in Israel for charging electric vehicles using autonomous hybrid charging stations, disconnected from the national power grid and with the aim of replacing generators operating on fossil fuels (”Project”).
In the Company’s view, if and to the extent that the project succeeds, it is expected to serve as international corroboration of the Company’s ability to produce and provide clean and emission-free electricity solutions at hybrid autonomous charging stations, for charging electric vehicles, disconnected from the national power grid. The Company also believes that presenting positive results in the project may significantly advance the Company’s position in the global electric vehicle charging market, especially in China, and may help promote the Company’s business in its target markets to new customers in line with the Company’s goals and business strategy.
In the Company’s estimate, the project is expected to enable the creation of a new solution for the provision of clean emission free electricity for charging electric vehicles at autonomous charging stations. By 2030, the global electric vehicle charging market is expected to grow to approx. $ 20 billion, hence the Company estimates that the project is a first step in the Company’s attempt to penetrate this market and market
its systems and technology in the future.

As of December 31, 2021, in the framework of the project, the Company received an order amounting to $ 400 thousand for 4 ancillary systems and services, expected to be supplied by the second quarter of 2022.

Note 15 - Contingent Liabilities and Engagements

Grants from the Bird Foundation:
In 2013, the Company was approved a grant in support of research and development on behalf of a bi-national fund for industrial research and development between Israel and the United States (hereinafter - “Bird Foundation"). In return for the grant, the Company undertook to pay royalties to the Bird Foundation at a rate of 5% of the future sales of the supported component resulting from the research and development, up to a scope of 150% of the total grant received. As of December 31, 2021, the Company has received a grant from the Bird Foundation amounting to approx. $ 521 thousand (hereinafter - "First grant"). The agreement also stipulates that the Company will be responsible for all sales of the developed product and shall thus bear the entire repayment liability to the BIRD Foundation which also includes the share of the American company who is a partner in the project. The total amount of grants received for this project amount to approx. $ 804 thousand.

In 2017, the Company received approval for a new grant ("Second grant") for a new project (hereinafter - "Second project") amounting to $ 478 thousand for a period of 24 months as of January 2018. As of December 31, 2021, the Company has received a grant from the Bird Foundation of approx.$ 378 thousand. The amounts received from the Bird Foundation during 2020 amounting to $ 92 thousand were charged to profit and loss.
During February 2020, the Company decided that the results of the project did not justify further development. Accordingly, the Company notified the parties of the termination of the project and the undertaking in respect of the project was revoked.

Below are changes in liabilities to the Bird Foundation:

	As of December 31	
	2021	2020
	USD thousands	
Balance at start of year	534	689
Changes during the year:		
Financing income	118	(243)
Receipt of grant	-	89
Payment of royalties	(11)	(1)
Balance at end of year	641	534
Short-term liabilities	20	12
Long-term liabilities	621	522
Balance at end of year	641	534

Note 16 – Share Capital

A. Registered capital issued and repaid:

	Registered capital		Issued and repaid capital	
	As of December 31		As of December 31	
	2021	2020	2021	2020
Ordinary shares of NIS 0.01 par value fully repaid	165,578,900	165,578,900	95,943,357	91,658,502

B. Public offering of shares:

On November 8, 2020, the Company's General Meeting of shareholders approved the amendment to the provisions of the Company's Articles of Association, with the resolution coming into force subject to the completion of the offering of the offered shares and their listing under the prospectus.

On November 18, 2020, the Company completed a public offering of 23,435,700 ordinary shares of NIS 0.01 par value each ("**Offered shares**") by virtue of an IPO prospectus also constituting a shelf prospectus of the Company dated November 9, 2020, bearing the date November 10, 2020 ("**Prospectus**"). The total (gross) proceeds of the issue of shares offered to the public under the prospectus amounted to approx. NIS 205 million (approx. $ 61.3 million) or a net amount of approx. NIS 196 million ($ 58.7 million). As a result, the offered shares were listed together with 68,222,802 ordinary shares of NIS 0.01 par value each that existed from the Company's issued and paid-up capital prior to the listing, thus the Company became a public company as per the term's definition in the Companies Law, as well as a reporting corporation, as per the term's definition in the Securities Law.

It should be noted that prior to the listing of the Company's shares on the stock exchange under the prospectus, all preference shares A1, preference shares A2, preference shares A3, preference shares B, preference shares C1, preference shares C2, preference shares C3, preference shares C4, preference shares D, preference shares E, preference shares E1 and preference shares F, were converted to ordinary Company shares by a ratio of 1:1, so that as of the date reporting all shares in the Company's registered and issued and paid-up capital are ordinary shares ("**Capital consolidation**"). In addition, all rights attached to preference shares A1, preference shares A2, preference shares A3, preference shares B, preference shares C1, preference shares C2, preference shares C3, preference shares C4, preference shares D, preference shares E, preference shares E1 and preference shares F as set forth below, were revoked as of the aforesaid capital consolidation.

In April, 2021, the Company completed an offering of 3,484,000 ordinary Company shares, registered in name, of NIS 0.01 par value each, by way of a non-uniform offer as stated in Regulation 11(a)(1) of the Securities Regulations (Offering Securities to the Public), 5767-2007 ("**Proposal Regulations**"), to institutional investors (as defined in the Proposal Regulations), including

Foreign institutional investors, according to a shelf offer report dated April 12, 2021 published by virtue of the Company's shelf prospectus dated November 9, 2020, bearing the date November 10, 2020. The total gross proceeds received by the Company for the said allocation of shares amounted to NIS 47,034 thousand. (approx. $ 14,332 thousand) or net approx. NIS 45,093 thousand (approx. $ 13,739 thousand) and is used to finance the Company's current activities, as shall be decided by the Company's Board of Directors from time to time, at its discretion.

On January 17, 2022, the Company's Board of Directors approved a private allotment of 11,966,979 ordinary Company shares of NIS 0.01 par value each ("Ordinary shares") to third parties not associated to the Company and/or the controlling shareholder thereof ("Offerees" and "Private allotment", as the case may be), against payment of NIS 9.4 per each ordinary Company share, such that the total gross proceeds received from the offerees amounted to NIS 112,490 thousand (approx. $ 36,228 thousand) or net approx. NIS 107,884 thousand (approx. $ 34,801 thousand). To the best of the Company's knowledge, as part of the private placement, ordinary shares were allocated, inter alia, to Migdal Insurance Holdings and Finance Ltd., which is a stakeholder in the Company, and to entities from the Harel Insurance Investments and Financial Services Ltd. Group, who became a stakeholder as a result of the private placement. It should be noted that the Company assumed an undertaking to one of the offeree investors, that during 2022 it would not allot the Company's shares at a share price lower than NIS 11 per share, unless it executes an allotment to a strategic investor and/or as part of a strategic transaction.

Note 16 – Share Capital (continued):

C. The rights attached to ordinary shares:

As of the date of the report, ordinary shares entitle their owners to be summoned, attend and vote at all the Company's General Meetings as well as equal rights to receive a proportionate share of all the Company's profits and bonus shares, if distributed. In addition, each ordinary share entitles its owner to receive a proportionate share of the Company's assets to be distributed upon liquidation for any reason in proportion to the total par value of the shares constituting the Company's issued and paid-up capital at that time. Prior to completing the issue of the offered shares and their listing under the prospectus, ordinary shares granted their owners the right to receive notices and attend shareholders 'meetings in the Company, each ordinary share granting one vote at the shareholders' meeting, to participate in the distribution of bonus shares and profit share to the extent approved, as well as distribution of surpluses in the event of liquidation or sale (Deemed Liquidation Event) as set forth in the Company's Articles of Association.

In August 2020, the Company decided to increase the registered capital to NIS 1,655,789.

Note 17 – Share-Based Payment

A. Details of the plans for allocation of warrants to Company officers and consultants in the years 2016-2021:

On July 25, 2016, the Company's Board of Directors approved an options plan under which non-registered warrants for the purchase of ordinary Company shares will be alloted from time to time to employees, directors, officers, consultants, service providers and controlling shareholders of the Company, without consideration, as determined by the Company's Board of Directors. Such grant will be made in accordance with the provisions of Section 102 of the Income Tax Ordinance [new version], 5721-1961 ("Income Tax Ordinance") via a trustee or a non-trustee track. Consultants, service providers, controlling shareholders or any other non-employee body, will be alloted options only according to Section 3(i) of the Income Tax Ordinance. The validity of the plan is 10 years from the date of adoption of the resolution by the Board of Directors.

Date of grant	Number of Warrants	Exercise Price	Vesting terms	Expiration date	Fair value of options at the time of grant	Benefit cost inherent in the grant (1)
		USD			USD	USD thousands
November 3, 2016	1,109,386	0.01-7.58	An allocation vesting in 13 tranches each quarter, the employee must be employed by the Company at the time of vesting.	November 3, 2026	4.42-6.78	5.605
May 25, 2017	667.426	0.01	Immediate vesting	May 25, 2027	6.78	4.525
March 6, 2018	6,917,045	0.01	Immediate vesting	March 6, 2028	4.49	31.057
March 6, 2018	3,488,943	0.01-0.57	An allocation vesting in 13 tranches each quarter, the employee must be employed by the Company at the time of vesting.	March 6, 2028	4.1-4.14	14.650
May 28,	469.554	0.57	An allocation vesting in 13	June 28,	4.49	2.106

2018			tranches each quarter, the employee must be employed by the Company at the time of vesting.	2028		
January 10, 2019	214.434	0.57	An allocation vesting in 13 tranches each quarter, the employee must be employed by the Company at the time of vesting.	January 10, 2029	4.78	1.021
August 25, 2020	3,570,051	0.003-0.57	2,475,411 - Immediate vesting, 1,094,640 An allocation vesting in 13 tranches each quarter, the employee must be employed by the Company at the time of vesting.	August 25, 2030	2.41-2.56	9.003
November 8, 2020	2,724,335	2.56	An allocation vesting in 13 tranches each quarter, the employee must be employed by the Company at the time of vesting.	November 8, 2030	2.8	7.637
January 17, 2021	280.000	4.99	An allocation vesting in 16 tranches each quarter, the employee must be employed by the Company at the time of vesting.	January 17, 2031	4.82	1.351
March 21, 2021	74.702	4.76	25% of the allocation vesting after a year, followed by 12 tranches each quarter, the employee must be employed by the Company at the time of vesting.	March 21, 2031	3.54	264
August 3, 2021	83.223	4.07	25% of the allocation vesting after a year, followed by 12 tranches each quarter, the employee must be employed by the Company at the time of vesting.	August 3, 2031	3.43	285
November 23, 2021	456.474	3.9	25% of the allocation vesting after a year, followed by 12 tranches each quarter, the employee must be employed by the Company at the time of vesting.	November 23, 2031	3.43	1.568

(1) The cost of the benefit inherent in the warrants granted, based on the fair value on the date of their grant, is imputed to profit or loss over the vesting period.

Note 17 – Share-Based Payment (continued)

B. Estimated fair value of the warrants:

The parameters used in the application of the model in the aforementioned allocations are as follows:

Date of allocation	November 3, 2016	May 2, 2017	March 6, 2018	March 6, 2018	May 28, 2018	January 10, 2019	August 25, 2020	November 8, 2020	January 17, 2021	March 21, 2021	August 3, 2021	November 23, 2021
The Company's share price (in USD)	6.78	*	4.49	4.49	4.49	5.19	2.56	2.56	5.54	4.10	3.96	3.90
Expected volatility	77.33-80.42	*	*	74.34-80.73	74.34-80.73	74.34-80.73	94	94	94.42	94.42	93.01	96.47
Risk-free interest rate	1.26-1.82	*	*	2.62-2.88	2.62-2.88	2.62-2.72	0.72	0.88	0.93	1.36	1.13	1.25
Expected rate of dividend	0	*	*	0	0	0	0	0	0	0	0	0
Early exercise coefficient (in years)	5-10	5	5	5-10	5-10	5-10	10	10	10	10	10	10

Note 17 – Share-Based Payment (continued)

C. Details regarding the impact of share-based payment transactions on the Group's profit or loss:

	For the year ended December 31	
	2021	2020
	USD thousands	
Cost of sales	463	561
Research and development expenses, net	1.388	3.542
Sales and marketing expenses	1.436	2.277
Administrative and general expenses	2.369	2.900
	5.656	9.280

D. Further details regarding the warrants granted:

	As of December 31, 2021		As of December 31, 2020	
	No. of options	Weighted average of exercise price	No. of options	Weighted average of exercise price
		$		$
Warrants granted which:				
Exist in circulation at start of year	7,529,829	1.49	12,350,822	0.58
Granted	894.399	2.53	6,294,386	1.19
Expired	16.182	7.58	227.642	1.79
Forfeited (not vested and expired)	51.408	1.15	101.381	0.57
Exercised	800.855	0.61	10,786,356	0.003
In circulation at year end	7,555,783	1.70	7,529,829	1.49

E. On August 25, 2020, the Company's Board of Directors approved an increase in the scope of the plan to a total of 18,952,836 warrants.

F. On August 25, 2020, the Company's Board of Directors, in accordance with approval received from the Israel Tax Authority ("Rolling"), approved a repricing of the warrants granted to the Company's employees in 2016. The repricing was executed as follows: 587,946 warrants granted at an exercise price of $ 7.58 repriced to an exercise price of $ 2.56 as well as 80,910 warrants granted at an exercise price of $ 3.79 repriced to an exercise price of $ 0.57. As a result of the repricing, the Company recognized expenses amounting to $ 152 thousand in its 2020 financial statements.

G. In September 2020, the Company granted 3,570,066 options to employees for the purchase of 3,570,066 ordinary shares of NIS 0.01 par value each, as follows: 625,090 at an exercise price of $ 0.57 per share vesting over four years, 2,475,422 options at an exercise price of NIS 0.01 per share vesting immediately and 469,554 options at an exercise price of NIS 1 per share vesting over four years.

H. During October 2020, 10,786,356 options were exercised at an exercise price of NIS 0.01 to ordinary shares of NIS 0.01 par value each.

I. During October 2020, the Company, together with some of its employees, voluntarily and without

Note 17 – Share-Based Payment (continued)

any such obligation under TASE regulations and guidelines, adopted blocking provisions for the 21,024,815 securities allocated to the above employees prior to their listing in accordance with the prospectus, in the framework of which the employees agreed to the application of the blocking restrictions thereon, as prescribed in the TASE guidelines and set forth in Section 3.7.1.3 to Chapter 3 of the Prospectus.

J. On November 8, 2020, the Company's Board of Directors and General Meeting approved, subject to completion of the share offering under the prospectus and their listing on the TASE, the amendment of the Company's options plan and an increase of the option pool to 21,716,991 non-registered options, each exercisable to an ordinary Company share of NIS 0.01 par value, in accordance with the options plan for employees and officers in the Company. Furthermore, on the same date, the allocation of 2,484,335 non-registered options to key management personnel in the Company was approved, each exercisable to an ordinary Company share of NIS 0.01 par value, in accordance with the options plan for employees and officers in the Company. In addition, on the same date, the Company's Board of Directors and General Meeting approved, subject to completion of the share offering under the prospectus and their listing on the TASE, the allocation of 140,000 non-registered options to two Company directors (70 thousand options each) and 100 thousand additional options to the Chairman of the Board of Directors, each exercisable to an ordinary Company share, in accordance with the options plan for employees and officers in the Company.

K. On January 7, 2021, the Company's Board of Directors followed by the General Meeting on February 21, 2021, approved the allocation of 70,000 non-registered options to four Company directors and in total 280,000 options, each exercisable to an ordinary Company share, in accordance with the options plan for employees and officers in the Company.

L. On March 21, 2021, the Company's Board of Directors approved the allocation of 74,702 non-registered options to the Company’s employees, each exercisable to an ordinary Company share, in accordance with the options plan for employees and officers in the Company.

M. On August 3, 2021, the Company's Board of Directors approved the allocation of 83,223 non-registered options to the Company’s employees, each exercisable to an ordinary Company share in accordance with the Company’s options plan for employees and officers.

N. On November 23, 2021, the Company's Board of Directors approved the allocation of 456,474 non-registered options to the Company’s employees, each exercisable to an ordinary Company share, in accordance with the options plan for employees and officers in the Company.

Note 18 – Sales

Composition:

	For the Year ended December 31	
	2021	2020
	USD thousands	
System sales	5.326	312
Installations and products attached to the systems	216	12
	5.542	324

Sales to customers, the revenues from whom exceed 10% of the Group's total revenues, are as follows:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Customer A	5.226	-
Customer B	-	55
Customer C	-	68
Customer D	-	62
Customer E	-	58
Customer F	-	69
Total	5.226	312

Note 19 – Cost of Sales

Composition:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Salaries and related	1.280	902
Goods shipped to customers	4.761	288*
Hoch for impairment provision	538	-
Production expenses	672	476*
Import and export costs	765	19*
Customer support expenses	148	25*
Provision for liability	64	3*
Overhead costs	206	121*
Other	73	53*
(*) Reclassification	8.507	1.887

Note 20 – Research and Development Expenses

Composition:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Salaries and related	3.676	6.716
Consultants and materials	943	453
Subcontractors and research consulting	494	297
Travel abroad	106	32
Import expenses	63	57
Overhead costs	768	812*
Patents	49	-
Other	98	*13
	6.197	8.380
Less sharing of expenses (1)	(493)	(93)
(*) Reclassification	5.704	8.287

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

Note 21 - Sales and marketing expenses

Composition:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Salaries and related	3.718	3.170
Subcontractors and Agents' Fees	262	323
Travel abroad	103	7
Overhead costs	401	245*
Advertising and sales promotion expenses	296	193
Other	-	220*
(*) Reclassification	4.780	4.158

Note 22 – Administrative and General Expenses

Composition:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Salaries and related	4.090	3.670
Office Maintenance	140	98
Company events	155	-
Legal expenses	143	107*
Professional services	640	376
Overhead costs	262	250*
Expenses in respect of projected credit losses	1.500	35*
Other	43	79*
(*) Reclassification	6.973	4.615

Note 23 – Financing expenses and income

A. Financing expenses:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Banking fees	83	126
Interest expenses in respect of lease liabilities and grants	787	589
Financing expenses in respect of hedging transactions	215	-
Interest expenses in respect of convertible loans	-	950
Interest expenses in respect of loans from controlling shareholders	-	52
	1.085	1.717

B. Financing income:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Financing income in respect of liabilities for grants	-	243
Bank interest rates	290	-
Loan interest income	60	-
Exchange rate differences	132	1.046
	482	1.289

C. Other financing income:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Profit from adjustment for reclassification due to hedging of cash flows	72	-
	72	-

Note 24 - Sectoral reporting and disclosures at entity level

Based on how the separate financial information is regularly reviewed by the chief decision maker, the Company has one operating sector - the development and production of fuel cell-based energy systems.

Disclosures at entity level:

Total revenue is attributed to geographic regions based on end customer location.

The following table provides revenues by geographical area:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Mexico	5.226	-
USA	115	58
Canada	63	-
Slovakia	54	
Spain	42	-
Germany	24	-
Japan	10	136
Israel	4	-
Others	4	13
Australia	-	62
Romania	-	55
	5.542	324

Note 25 – Loss per share

Instruments that can potentially dilute the basic earnings per share in the future, but were not included in the calculation of diluted earnings per share since their effect was non-diluting:

	For the Year ended December 31	
	2021	2020
Warrants issued under share-based payment arrangements	7,555,783	7,529,829
Preference shares	-	-
	7,555,783	7,529,829

Note 26 - Financial Instruments

A. Capital management policy

The Group manages its capital to ensure its continued existence as a "going concern" by raising capital and selling products for the purpose of continuing its business activities, including research and development.

The Group may take various steps, in order to preserve or adjust its capital structure. Since its inception the Group has financed its operations through capital issues, receipt of contingent grants from the Bird Foundation (see Note 15) and the sale of products.

Note 26 - Financial Instruments (continued)

B. Principles of Accounting Policy:

Details regarding the main accounting policies and methods adopted, including the terms for recognition, the basis for measurement and the basis on which the income and expenses were recognized in relation to each group of financial assets, financial liabilities and capital instruments, are presented in Note 2.

C. Financial Instrument Groups:

Financial instruments presented at depreciated cost:

	As of December 31	
	2021	2020
	USD thousands	
Financial assets		
Cash and cash equivalents	11.881	33.091
Short-term deposits	42.611	29.949
Customers	2.347	44
Accounts receivables and debit balances	2.144	691
Restricted use deposits	1.927	394
	60.910	64.169
Financial liabilities:		
Suppliers and other service providers	1.826	414
Creditors and credit balances	2.894	2.042
Lease liabilities	8.717	4.889
Liabilities for grants from the Bird Foundation	641	534
	14.078	7.879

Capital fund for hedging cash flows:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Balance at start of year	-	-
Profit arising from changes in the fair value of the hedging instrument	72	-
	72	-

D. Objectives of financial risk management:

The Group's activities expose it to various financial risks, including market risks (including currency and interest rate risks), credit risk, and liquidity risk.

The Group's overall risk management program works, among other things, to reduce currency risks by adjusting the expenditure budgets in the various currencies and bank deposits in which cash balances are deposited. Risk management is performed in accordance with a policy approved by the Board of Directors.

Note 26 - Financial Instruments (continued)

E. Market risk:

Market risk exposures are measured by sensitivity analysis.

During the reporting period, there was no change in exposure to market risks or in the manner the Group manages or measures such risk.

The Group does not use derivative financial instruments to hedge exposures. Risk management is performed in accordance with a policy approved by the Board of Directors.

(1) Currency risk:

The Group's currency of activity is USD. Apart from the dollar, the Group has foreign currency balances, mainly NIS and EUR. This results in exposure to fluctuations in exchange rates.

During the reporting period there was no change in exposure to currency risks or in the manner the Group manages or measures such risk.

The book values of the Group's assets and financial liabilities denominated in foreign currency are as follows:

	As of December 31	
	2021	2020
	USD thousands	
Assets:		
NIS	9.676	31.847
EURO	137	193
GBP	73	85
	9.886	32.125
Financial assets at fair value through other comprehensive income:		
Investments in debt instruments measured at fair value through other comprehensive income	23	-
	9.909	32.125
Liabilities:		
NIS	13.608	3.523
EURO	102	291
GBP	6	2.869
	13.716	6.683

Foreign currency sensitivity analysis:

The Company is mainly exposed to the NIS currency.

The effect of an increase or decrease of 5% in the NIS exchange rate against the dollar amounts to financing expenses totalling approx. $ 140 thousand and approx. $ 1,416 thousand as of December 31, 2021 and 2020, respectively.

Note 26 - Financial Instruments (continued)

(2) Interest risk:

The Company has no financial liabilities affected by changes in interest rates.

F. Credit risk management:

Credit risk refers to the risk that the other party will not meet its contractual obligations and will cause the Company a financial loss. The Company has a debt balance amounting to approx. $ 2.3 million in respect of the local partner as part of the CFE project for products and services provided by the Company (see Note 14D) and an additional debt amounting to approx. $ 1.1 million in respect of a loan granted by the Company during 2021. These debts represent a significant concentration of credit risk as of December 31, 2021.

G. Liquidity risk management:

Since the Company does not yet have a significant cash flow from operating activities, the Company's financing sources are based on the issuance of capital instruments to the public and its shareholders.

The following tables list the Company's remaining contractual maturities in respect of financial liabilities.

The tables were prepared based on the non-capitalized cash flows of the financial liabilities on the basis of the earliest date on which the Company may be required their repayment, with the exception of liabilities in respect of grants, based on the Company's repayment forecasts. The table includes flows for both interest and principal.

	Average effective interest rate	Up to one year	2-5 years	Over 5 years	Total
	%	USD thousands			
As of December 31, 2021:					
Lease liabilities	3.31%	1.273	4.293	3.151	8.717
Grant liabilities	20%	20	593	28	641
		1.293	4.886	3.179	9.358
As of December 31, 2020:					
Lease liabilities	4.6%	861	2.430	1.598	4.889
Grant liabilities	20%	12	374	148	534
		873	2.804	1.746	5.423

H. Fair Value:

Due to the nature of the assets and financial liabilities, the Company believes that their book value is roughly identical to their fair value.

Note 27 - Transactions with stakeholders and associated parties

A. Balances of stakeholders and associated parties:

	As of December 31	
	2021	2020
	USD thousands	
Creditors associated parties[1]	927	596
Current liabilities to stakeholders[2]	302	189
	1.229	785

(1) These amounts represent the balances of shareholders employed by the Company as key personnel, such as current wages, accrued vacation days, etc.

(2) These amounts represent balances of the Company's CEO and members of the Board of Directors, such as current salaries, management fees, etc.

B. Transactions with stakeholders and associated parties:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Wage expenses for stakeholders employed by the Company	459	446
Interest paid to stakeholders	-	181
Stakeholder consulting services (D1)	229	60
Remuneration of directors not employed by the Company (D1)	1.184	63
Benefits from transactions with shareholders (1)	-	123
Number of stakeholders employed at the Company	1	1
Number of directors who served during the year and are not employed by the Company	7	5

Note 27 - Transactions with stakeholders and associated parties (continued)

C. Remuneration and benefits for key management personnel:

	For the Year ended December 31	
	2021	2020
	USD thousands	
Short-term benefits	2.234	1.573
Share-based payment	3.428	6.327
Employee benefits in respect of termination of employment	130	53
	5.792	7.953

D. Engagements and transactions with stakeholders and associated parties:

(1) On November 8, 2020, the Company's Board of Directors and its General Meeting confirmed that subject to completion of the issue of shares offered under the prospectus and their listing on the stock exchange, the remuneration payable to all directors who do not receive remuneration or management fees from the Company (who may serve from time to time) shall be to the “maximum amount” stipulated in the Companies Regulations (Rules regarding Remuneration and Expenditure for External Directors), 5760-2000 ("Remuneration Regulations") and that the remuneration payable to an expert external director will be as stipulated in the Remuneration Regulations. In addition, directors will be entitled to reimbursement of expenses in accordance with the Remuneration Regulations.

In addition, the Company's Board of Directors and General Meeting approved, subject to completion of the share offering under the prospectus and their listing on the TASE, the allocation of 70,000 non-registered options to Ben Zion (Benny) Landa, Avraham Bigger and Michal Arlozorov and in total 210,000 options, each exercisable to an ordinary Company share, in accordance with the options plan for employees and officers in the Company.

(2) Entering into a services agreement with the Chairman of the Board:

On November 8, 2020, the Company's Board of Directors and the General Meeting of the Company approved the contract with Mr. Levy, who is an employee and shareholder in a private company under the control of Mr. Ben Zion (Benny) Landa, the controlling shareholder of the Company, in an agreement for provision of management services to the Company for a lawful period, which entered into force on the date of completion of the issuance of the shares under the prospectus and their listing on the stock exchange (in this section only "Management Services Agreement"), according to which Mr. Levy provides the Company with Chairman of the Board services at a 20% work scope.

In return for the above management services, the Company pays Mr. Levy a management fee of NIS 25,000 per month plus lawful VAT (in this section only "management fee") against receipt of a lawful tax invoice. The management fees are linked to the CPI for September 2020 published on October 15, 2020 and updated quarterly. The management fees are paid monthly, no later than the 10th of each calendar month in respect of the previous calendar month.

Mr. Levy is further entitled to reimbursement of expenses incurred by him in providing the Services to the Company, in accordance with the Company's policy and against presentation of appropriate receipts, provided that in respect of expenses that do not

Note 27 - Transactions with stakeholders and associated parties (continued)
D. Engagements and transactions with stakeholders and associated parties: (continued)

comply with the Company's policy, such reimbursement is made subject to approval by the Company's Board of Directors.
The Company provides Mr. Levy with an office as necessary and bears all the fixed and variable expenses entailed in the use and maintenance of said office for the fulfillment of his obligations to the Company.
The Company may at any time terminate the receipt of all or part of the management services, for any reason, by 3 months' prior notice.
In addition, Mr. Levi, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company with regards to directors and officers serving therein.
The management agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Levy will be entitled to receive non-listed options once every four years, each of which may be exercised for one ordinary share, in accordance with the options plan for employees and officers in the Company, with the vesting period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.
Upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Levy was allocated 100,000 non-listed options, each of which can be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company, at a total value of approx. $ 280 thousand (approx. NIS 924 thousand).

(3) Entering into an agreement with Rami Reshef - Company CEO:

Mr. Rami Reshef has been serving as the Company's CEO since May 1, 2011. In accordance with Mr. Reshef's employment agreement, as of the date of completion of the share issuance under the prospectus and their listing on the stock exchange (in this section only "Employment agreement"), Mr. Reshef is entitled to a monthly salary (gross) of approx. $ 21.38 thousand (NIS 72.7 thousand).
Under the employment agreement, the Company insures Mr. Reshef under executive insurance and allocates all the customary provisions to Mr. Reshef's executive insurance fund, monthly. The Company also contributes monthly to Mr. Reshef's advanced study fund.
Mr. Reshef is entitled to 22 vacation days per year with a cumulative option of up to 50 days in total, subject to redemption of vacation days upon termination of the employment agreement.
The Company provides Mr. Reshef with a vehicle worth up to $ 48.53 thousand (approx. NIS 165 thousand), with Mr. Reshef having the option to choose the model and/or year of manufacture of the vehicle and the Company bearing all costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Reshef a monthly reimbursement of expenses amounting to approx. $ 1.6 thousand (approx. NIS 5.5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.
Pursuant to the employment agreement, the Company provides Mr. Reshef with a cell phone and bears the costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Reshef reimbursement of expenses for the use of Mr. Reshef's personal cell phone.
The parties may terminate Mr. Reshef's employment agreement at any time and following 6 months' prior notice (in this section only "Period of prior notice"). Alternatively, the Company may shorten the prior notice period, in whole or in part, and pay Mr. Reshef in lieu of the prior notice, a gross monthly salary equal to the balance of the prior notice period (including any welfare terms to which he is entitled). In the event of termination of said employment by the Company, except in the event of termination of employment

Note 27 - Transactions with stakeholders and associated parties (continued)
D. Engagements and transactions with stakeholders and associated parties: (continued)

under special circumstances, in addition to the prior notice period, Mr. Reshef will be entitled to: (a) An adjustment grant equal to 6 salaries, (in this section only "Adjustment grant") and b) Acceleration of the maturation dates of the options that have not yet reached maturity to a period of 6 months. The employment agreement further stipulates that in the event that Mr. Reshef resigns voluntarily, eligibility for said adjustment grant will be determined at the discretion of the Company's Board of Directors.
The employment agreement includes Mr. Reshef's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.
In addition, Mr. Reshef, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.
Mr. Reshef is entitled to receive annual grants (for meeting Company targets and with discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.
The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Reshef will be entitled to receive non-listed options once every four years, each of which may be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company, with the vesting period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.
Upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Reshef was allocated 712,976 non-listed options, each of which can be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company, and all in accordance with the Company's Board of Directors' and General Meeting approval dated November 8, 2020.
On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Reshef of an amount equal to approx. 6 salaries in respect of 2021, all in accordance with the provisions of the Company's Remuneration Policy, as well as updated Mr. Reshef's employment agreement so that as of April 1, 2022, Mr. Reshef will be entitled to a monthly salary of NIS 90,000.

(4) Entering into an agreement with Gil Shavit - Business Development Manager:

Mr. Gil Shavit has been serving as the Company's Business Development Manager since May 24, 2011. In accordance with Mr. Reshef's employment agreement, as of the date of completion of the share issuance under the prospectus and their listing on the stock exchange (in this section only "Employment agreement"), Mr. Reshef is entitled to a monthly salary (gross) of approx. $ 18.1 thousand (NIS 61.5 thousand).
Under the employment agreement, the Company insures Mr. Shavit under pension insurance and allocates all customary provisions to Mr. Shavit's pension fund, monthly. The Company also contributes monthly to Mr. Shavit's advanced study fund.
Mr. Shavit is entitled to 22 vacation days per year with a cumulative option of up to 50 days in total, subject to redemption of vacation days upon termination of the employment agreement.
The Company provides Mr. Shavit with a vehicle worth up to $ 41.17 thousand (approx. NIS 140 thousand), with Mr. Shavit having the option to choose the model and/or year of manufacture of the vehicle. The vehicle is used by Mr. Shavit for his job and the Company bears all costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Shavit a monthly reimbursement of expenses amounting to approx. $ 1.5 thousand (approx. NIS 5 thousand) in respect of his personal vehicle, except for tax

Note 27 - Transactions with stakeholders and associated parties (continued)
D. Engagements and transactions with stakeholders and associated parties: (continued)

deduction in its regard.
The employment agreement further provides that the Company may pay Mr. Shavit reimbursement of expenses for the use of his personal cell phone, except for tax deduction in its regard.
The parties may terminate Mr. Shavit's employment agreement at any time and following 6 months' prior notice (in this section only "Period of prior notice"). Alternatively, the Company may shorten the prior notice period, in whole or in part, and pay Mr. Shavit in lieu of the prior notice, a gross monthly salary equal to the balance of the prior notice period (including any welfare terms to which he is entitled). In the event of termination of employment by the Company, except in the event of termination of employment under special circumstances, in addition to the prior notice period, Mr. Shavit will be entitled to: (a) An adjustment grant equal to 4 salaries (in this section only “Adjustment grant”); and (b) Acceleration of the maturation dates of the options that have not yet reached maturity to a period of 4 months. The employment agreement further stipulates that in the event that Mr. Shavit resigns voluntarily, eligibility for said adjustment period will be determined at the discretion of the Company’s Board of Directors.
The employment agreement includes Mr. Shavit's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.
Mr. Shavit, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers’ liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.
Mr. Shavit is entitled to receive annual grants (for meeting Company targets, personal targets and with discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.
The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Shavit will be entitled to receive non-listed options once every four years, each of which may be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company, with the vesting period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature. Upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Shavit was allocated 422,351 non-listed options, each of which can be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company, and all in accordance with the Company’s Board of Directors’ and General Meeting approval dated November 8, 2020.
On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Shavit of a grant equal to approx. 3 salaries, in respect of 2021, all in accordance with the provisions of the Company's Remuneration Policy, as well as updated Mr. Shavit’s employment agreement so that as of April 1, 2022, Mr. Shavit will be entitled to a monthly salary of NIS 67,500.

(5) Entering into an agreement with Yossi Salmon - the Company's CFO:

Yossi Salmon - the Company's CFO
Mr. Yossi Salmon has been serving as the Company's CFO as of April 19, 2015. In accordance with Mr. Salmon's employment agreement, as of the date of completion of the share issuance under the prospectus and their listing on the stock exchange (in this section only "Employment agreement"), Mr. Reshef is entitled to a monthly salary (gross) of approx. $ 18.1 thousand (NIS 61.5 thousand).
Under the employment agreement, the Company insures Mr. Salmon under executive insurance and allocates all the customary provisions to Mr. Salmon’s executive insurance

Note 27 - Transactions with stakeholders and associated parties (continued)
D. Engagements and transactions with stakeholders and associated parties: (continued)

fund, monthly. The Company also contributes monthly to Mr. Salmon's advanced study fund.

Mr. Salmon is entitled to 22 vacation days per year with a cumulative option of up to 50 days in total, subject to redemption of vacation days upon termination of the employment agreement.

The Company provides Mr. Salmon with a vehicle worth up to $ 41.17 thousand (approx. NIS 140 thousand), with Mr. Salmon having the option to choose the model and/or year of manufacture of the vehicle and the Company bearing all costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Salmon a monthly reimbursement of expenses amounting to approx. $ 1.5 thousand (approx. NIS 5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.

The employment agreement further provides that the Company may pay Mr. Salmon reimbursement of expenses for the use of his personal cell phone, except for tax deduction in its regard.

The parties may terminate Mr. Salmon's employment agreement at any time and following 6 months' prior notice (in this section only "Period of prior notice"). Alternatively, the Company may shorten the prior notice period, in whole or in part, and pay Mr. Salmon in lieu of the prior notice, a gross monthly salary equal to the balance of the prior notice period (including any welfare terms to which he is entitled). In the event of termination of employment by the Company, except in the event of termination of employment under special circumstances, in addition to the prior notice period, Mr. Salmon will be entitled to: (a) An adjustment grant equal to 4 salaries (in this section only "Adjustment grant"); and (b) Acceleration of the maturation dates of the options that have not yet reached maturity to a period of 4 months. The employment agreement further stipulates that in the event that Mr. Salmon resigns voluntarily, eligibility for said adjustment grant will be determined at the discretion of the Company's Board of Directors.

The employment agreement includes Mr. Salmon's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.

Mr. Salmon is entitled to receive annual grants (for meeting Company targets, personal targets and with discretion) and a special

grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.

The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Salmon will be entitled to receive non-listed options once every four years, each of which may be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company, with the vesting period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.

In addition, Mr. Salmon, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.

Upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Salmon was allocated 422,351 non-listed options, each of which can be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company, and all in accordance with the Company's Board of Directors' and General Meeting approval dated November 8, 2020.

On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Salmon of a grant equal to approx. 6 salaries, in respect of 2021, all in accordance with the provisions of the Company's Remuneration Policy, as well as updated Mr. Salmon's employment agreement so that as of April 1, 2022, Mr. Salmon will be entitled to a monthly salary of NIS 72,000.

Note 27 - Transactions with stakeholders and associated parties (continued)

D. Engagements and transactions with stakeholders and associated parties: (continued)

(6) Entering into an agreement with Gennadi Finkelshtain - Company VP of Technology and Development:

Mr. Gennadi Finkelshtain has been serving as the Company's VP of Technology and Development since May 24, 2011. In accordance with Mr. Finkelshtain's employment agreement, as of the date of completion of the share issuance under the prospectus and their listing on the stock exchange (in this section only "Employment agreement"), Mr. Finkelshtain is entitled to a monthly salary (gross) of approx. $ 18.1 thousand (NIS 61.5 thousand).

Under the employment agreement, the Company insures Mr. Finkelshtain under pension insurance and allocates all customary provisions to Mr. Finkelshtain's pension fund, monthly. The Company also contributes monthly to Mr. Finkelshtain's advanced study fund.

Mr. Finkelshtain is entitled to 22 vacation days per year with a cumulative option of up to 50 days in total, subject to redemption of vacation days upon termination of the employment agreement.

The Company provides Mr. Finkelshtain with a vehicle worth up to $ 41.17 thousand (approx. NIS 140 thousand), with Mr. Finkelshtain having the option to choose the model and/or year of manufacture of the vehicle and the Company bearing all costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Finkelshtain a monthly reimbursement of expenses amounting to approx. $ 1.5 thousand (approx. NIS 5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.

The employment agreement further provides that the Company may pay Mr. Finkelshtain reimbursement of expenses for the use of his personal cell phone, except for tax deduction in its regard.

The parties may terminate Mr. Finkelshtain's employment agreement at any time and following 6 months' prior notice (in this section only "Period of prior notice"). Alternatively, the Company may shorten the prior notice period, in whole or in part, and pay Mr. Finkelshtain in lieu of the prior notice, a gross monthly salary equal to the balance of the prior notice period (including any welfare terms to which he is entitled). In the event of termination of employment by the Company, except in the event of termination of employment under special circumstances, Mr. Finkelshtain will be entitled to: (a) An adjustment grant equal to 4 salaries (in this section only "Adjustment grant"); and (b) Acceleration of the maturation dates of the options that have not yet reached maturity to a period of 4 months. The employment agreement further stipulates that in the event that Mr. Finkelshtain resigns voluntarily, eligibility for said adjustment grant will be determined at the discretion of the Company's Board of Directors.

The employment agreement includes Mr. Finkelshtain's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.

In addition, Mr. Finkelshtain, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.

Mr. Finkelshtain is entitled to receive annual grants (for meeting Company's targets, personal targets and with discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.

The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Finkelshtain will be entitled to receive non-listed options once every four years, each of which may be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company, with the vesting period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.

Upon completion of the issue of the shares under the prospectus and their listing on the

Note 27 - Transactions with stakeholders and associated parties (continued)
D. Engagements and transactions with stakeholders and associated parties: (continued)

stock exchange, Mr. Finkelshtain was allocated 422,351 non-listed options, each of which can be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company.
On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Finkelshtain of a grant equal to approx. 3 salaries, in respect of 2021, all in accordance with the provisions of the Company's Remuneration Policy, as well as updated Mr. Finkelshtain's employment agreement so that as of April 1, 2022, Mr. Finkelshtain will be entitled to a monthly salary of NIS 72,000.

(7) Entering into an agreement with Amit Ashkenazi - Company VP of Sales:

Mr. Amit Ashkenazi has been serving as the Company's VP of Sales since January 30, 2018. In accordance with Mr. Ashkenazi's employment agreement, as of the date of completion of the share issuance under the prospectus and their listing on the stock exchange (in this section only "Employment agreement"), Mr. Ashkenazi was entitled to a monthly salary (gross) of approx. $ 12.9 thousand (NIS 44 thousand) and as of July 1, 2021, to $ 16.9 thousand (NIS 52.5 thousand), granted in two installments, in respect of the Company's engagement in a cooperation agreement with Deutsche Telekom and engagement with the Washington State Electric Company in the United States.

Under the employment agreement, the Company insures Mr. Ashkenazi under pension insurance and allocates all customary provisions to Mr. Ashkenazi's pension fund, monthly. The Company also contributes monthly to Mr. Ashkenazi's advanced study fund.

Mr. Ashkenazi is entitled to 22 vacation days per year with a cumulative option of up to 7 days in total, subject to redemption of vacation days upon termination of the employment agreement.

The Company provides Mr. Ashkenazi with a vehicle worth up to $ 41.17 thousand (approx. NIS 140 thousand), with Mr. Ashkenazi having the option to choose the model and/or year of manufacture of the vehicle and the Company bearing all costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Ashkenazi a monthly reimbursement of expenses amounting to approx. $ 1.5 thousand (approx. NIS 5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.
The employment agreement further provides that the Company may pay Mr. Ashkenazi reimbursement of expenses for the use of his personal cell phone, except for tax deduction in its regard.

The parties may terminate Mr. Ashkenazi's employment agreement at any time and following 3 months' prior notice.

The employment agreement includes Mr. Ashkenazi's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.

In addition, Mr. Ashkenazi, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.
Mr. Ashkenazi is also entitled to receive annual grants (for meeting Company targets, personal targets and with discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.

Note 27 - Transactions with stakeholders and associated parties (continued)
D. Engagements and transactions with stakeholders and associated parties: (continued)

The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Ashkenazi will be entitled to receive non-listed options once every four years, each of which may be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company, with the vesting period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.

In August 2020, Mr. Ashkenazi was allocated 126,398 non-registered options, each exercisable to an ordinary Company share of NIS 0.01 par value, in accordance with the options plan for employees and officers in the Company. Furthermore, upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Ashkenazi was allocated 252,153 non-listed options, each of which can be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company.

On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Ashkenazi of a grant equal to approx. 2 salaries, in respect of 2021, all in accordance with the provisions of the Company's Remuneration Policy, as well as updated Mr. Ashkenazi's employment agreement so that as of April 1, 2022, Mr. Ashkenazi will be entitled to a monthly salary of NIS 57,000.

(8) Entering into an agreement with Shmuel Peretz - VP of Operations:

Mr. Shmuel Peretz has been serving as the Company's VP of Operations since July 1, 2021. In accordance with Mr. Peretz's employment agreement (in this section only "Employment agreement"), Mr. Peretz is entitled to a monthly salary (gross) of approx. $ 18 thousand (NIS 57 thousand).
Under the employment agreement, the Company insures Mr. Peretz under pension insurance and allocates all customary provisions to Mr. Peretz's pension fund, monthly. The Company also contributes monthly to Mr. Finkelshtain's advanced study fund.
Mr. Ashkenazi is entitled to 22 vacation days per year with a cumulative option of up to 7 days in total, subject to redemption of vacation days upon termination of the employment agreement.
The Company provides Mr. Peretz with a vehicle worth up to $ 41.17 thousand (approx. NIS 140 thousand), with Mr. Peretz having the option to choose the model and/or year of manufacture of the vehicle and the Company bearing all costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Peretz a monthly reimbursement of expenses amounting to approx. $ 1.5 thousand (approx. NIS 5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.
The employment agreement further provides that the Company may pay Mr. Peretz reimbursement of expenses for the use of his personal cell phone, except for tax deduction in its regard.
The parties may terminate Mr. Peretz's employment agreement at any time and following 3 months' prior notice.
The employment agreement includes Mr. Peretz's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.
Mr. Peretz is entitled to receive annual grants (for meeting Company targets, personal targets and with discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.

Note 27 - Transactions with stakeholders and associated parties (continued)
D. Engagements and transactions with stakeholders and associated parties: (continued)

The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Peretz will be entitled to receive non-listed options once every four years, each of which may be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company, with the vesting period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.
In addition, Mr. Peretz, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.
On November 23, 2021, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on November 14, 2021, approved the allocation to Mr. Peretz of 193,000 non-registered options, each exercisable for one ordinary Company share, in accordance with the options plan for employees and officers in the Company.

(9) Entering into an agreement with Haim Moshe - VP of Customer Support and Projects:

Mr. Haim Moshe has been serving as the Company's VP of Customer Support and Projects since September 7, 2020. In accordance with Mr. Moshe's employment agreement, as of the date of completion of the share issuance under the prospectus and their listing on the stock exchange (in this section only "Employment agreement"), Mr. Moshe was entitled to a monthly salary (gross) of approx. $ 12.9 thousand (NIS 44 thousand) and as of November 1, 2021, to $ 16.9 thousand (approx. NIS 52.5 thousand), granted in two installments, having met milestones set in advance by the Company's bodies competent to do so.
Under the employment agreement, the Company insures Mr. Moshe under pension insurance and allocates all customary provisions to Mr. Moshe's pension fund, monthly. The Company also contributes monthly to Mr. Moshe's advanced study fund.
Mr. Moshe is entitled to 22 vacation days per year with a cumulative option of up to 7 days in total, subject to redemption of vacation days upon termination of the employment agreement.
The Company provides Mr. Moshe with a vehicle worth up to $ 41.17 thousand (approx. NIS 140 thousand), with Mr. Moshe having the option to choose the model and/or year of manufacture of the vehicle and the Company bearing all costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Moshe a monthly reimbursement of expenses amounting to approx. $ 1.5 thousand (approx. NIS 5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.
The employment agreement further provides that the Company may pay Mr. Moshe reimbursement of expenses for the use of his personal cell phone, except for tax deduction in its regard.
The parties may terminate Mr. Moshe's employment agreement at any time and following 3 months' prior notice.
The employment agreement includes Mr. Moshe's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination. In addition, Mr. Moshe, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.
Mr. Moshe is also entitled to receive annual grants (for meeting Company targets, personal targets and with discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.
The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Moshe will be

Note 27 - Transactions with stakeholders and associated parties (continued)
D. Engagements and transactions with stakeholders and associated parties: (continued)

entitled to receive non-listed options once every four years, each of which may be exercised for one ordinary Company share, in accordance with the options plan, with the vesting period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.
In August 2020, Mr. Moshe was allocated 153,873 non-registered options, each exercisable to an ordinary Company share of NIS 0.01 par value, in accordance with the options plan for employees and officers in the Company. Furthermore, upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Moshe was allocated 252,153 non-listed options, each of which can be exercised for one ordinary Company share, in accordance with the options plan for employees and officers in the Company.
On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Moshe of a grant equal to approx. 2 salaries, in respect of 2021, all in accordance with the provisions of the Company's Remuneration Policy, as well as updated Mr. Moshe's employment agreement so that as of April 1, 2022, Mr. Moshe will be entitled to a monthly salary of NIS 57,000.

Note 28 - Impact of corona virus COVID-19

In early 2020, a "Corona" type virus (COVID-19) began to spread around the world, and was declared a global pandemic by the World Health Organization. The outbreak of the pandemic and the uncertainty regarding the rate of its spread, the expected timeframe for a return to normal routine and the various actions taken and to be taken by governments to deal with the pandemic and the timeframe for a return to routine, have led to a global economic crisis, including in Israel.

In the period since the outbreak of the virus, there has been a decline in the volume of economic activity in many parts of the world, including Israel, there is concern about the continued moderation of global and local economic activity over long periods, and there is also sharp volatility in many markets (both real and financial), characterized by high uncertainty. These have been reflected, inter alia, by an increase in volatility and risk.

In dealing with the outbreak of the virus and in an attempt to stem its spread, austerity measures were instigated in many parts of the world, including Israel, that have significantly restricted the mobility and congregating of people, culminating in April-May 2020.

It should be noted that as part of the Company's response to the outbreak of the corona virus, the Company sought to reduce costs, inter alia, by furloughing its employees and managers ("Khalat"- unpaid leave) in the period commencing March 15, 2020 and ending June 14, 2020. The Company further instigated wage reductions (in accordance with wage levels) and also eliminated the provisions for study funds (both on behalf of the Company and on behalf of the employee), all with the aim of reducing wage costs in the Company with immediate effect, for the period ended August 31, 2020. The saving in the periodic report as of December 31, 2020, arising from savings in personnel costs and other expenses as aforesaid, amounted to approximately $ 1,941 thousand (NIS 6,600 thousand).

Moreover, in view of the fact that during 2020 the Company sold systems to large companies around the world, the outbreak of the corona virus caused a slowdown in the supply of products mainly due to the inability of personnel to install said products. In the framework of addressing the aforesaid issue, the Company prepared for remote installations and during the reporting period has already performed a number of remote installations at its customers.

During the reporting period, there was an intermittent increase in the rate of spread and the current period is still characterized by significant uncertainty regarding the continued spread of the virus, its severity, entry/exit from lockdowns and in relation to the manner and duration of exiting the crisis and the frequent changes entailed.

Note 28 - Impact of corona virus COVID-19 (continued)

Further to an increase in the morbidity and spread of the virus, on September 13, 2020, the government announced a series of additional strict measures, in the framework of which significant restrictions were placed on the movement and congregation of people during September-October 2020. Subsequent to said measures and the slowdown in the spread of the virus in Israel, in the second half of October 2020, the government began to remove some of the restrictions imposed. As a result of the removal of some of the restrictions and the opening of the economy, the level of morbidity began to rise. In December 2020, the US Food and Drug Administration (FDA) approved a vaccine for the corona virus which was developed by a number of pharmaceutical companies in the world. Subsequently, during December 2020 and January 2021, the Israeli Government entered into agreements with these pharmaceutical companies for the supply of vaccines for the corona virus to the Israeli population. Accordingly, the Government announced a vaccination campaign for the Israeli population which is currently being executed, but despite the implementation of said vaccination campaign, there has been a significant increase in the level of morbidity which led the Israeli government to declare a third lockdown that included significant restrictions on the mobility and congregation of people.

The Company has received an ‘Essential Plant’ approval from the Ministry of Labor and Welfare, which enables it to continue operating even when a state of emergency is declared in the economy, and as of the date of publication of the report, the Company is operating under a purple warrant.

As of the date of publication of the report, a new variant of the corona virus called "Omicron" has erupted around the world and in Israel in particular, leading to high morbidity rates. Accordingly, governments around the world and in Israel in particular have taken a series of austerity measures and imposed restrictions. The current period is still characterized by significant uncertainty regarding additional "waves" of morbidity, imposition and/or removal of restrictions, completion of immunization of the entire population, improved efficacy of vaccines against mutations and/or new strains of the corona virus and development of effective drugs to combat corona virus, and in relation to the manner and duration of exiting the crisis and the frequent changes entailed.

In the period since the outbreak of the virus, there has been a decline in the volume of economic activity in many parts of the world, including Israel, sharp volatility is felt in many markets (both real and financial), which is characterized by high uncertainty. These have been reflected, inter alia, by an increase in volatility and risk. 2021 was characterized by a shortage of raw materials and a significant increase in haulage costs, which affected the supply of products according to the original schedules agreed upon.

It should be noted that as a consequence of the spread of the corona virus, industry and the Company in particular are experiencing delays in deliveries, due to the extension of delivery times as well as due to the constraints in the logistics and haulage networks. As a result, there may be a delay in the recognition of income from projects that have already been approved or situations in which the Company may be subject to fines for late supply or even to withdrawal of the entire project.

Note 29 – Income Taxes:

A. The tax rates applicable to the Company's income:

The Israeli corporate tax rate is 23%.

The Company's management believes that it will be able to meet the definition of a Preferred Technological Plant / Special Preferred Technological Plant in Development Area A with regards to which a tax rate of 12% applies.

The Company is liable for tax on its real capital gains pursuant to the Company's income tax rate in the year of sale.

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

C. Transferable losses:

The Company has accumulated losses and deductions for tax purposes as of December 31, 2021 amounting to approx. $ 97,110 thousand which may be offset against taxable income in the future, for an indefinite period.

D. Deferred taxes:

The deferred tax reflects the impact of net tax arising from temporary differences between the balance in the books of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has accumulated losses on transfers over the past few years but since the Company does not expect to generate taxable income in the foreseeable future it is unable to recognize a deferred tax asset.

E. Tax expenses in the profit and loss statement reflect payments for excess expenses.

Note 30 – Events Subsequent to the Balance Sheet Date

A. On February 24, 2022, Russia invaded Ukraine territory followed by bombing of various locations throughout Ukraine, including the capital Kyiv, Odessa, Kharkiv, Leviv and more. In the face of the aforesaid invasion, various financial and economic sanctions were imposed by Western countries on Russia and its citizens. The Company receives development services from two service providers who, as of the date of publication of the report, continue to provide the services, but in view of said sanctions it is not possible to execute bank transfers to their accounts in Russia. The Company has also contracted with a Belarusian company which provides such services together with Ukrainian service providers, for receipt of development services of the catalyst in the FOX system. In light of the aforesaid military campaign, the services have been discontinued. As of the publication of the report, the current period is characterized by significant uncertainty regarding the protraction of hostilities and their cessation cannot be estimated. Protraction of the fighting may lead to delays in the developments carried out by the aforesaid service providers. The Company is examining the possibility of employing suitable professionals in Israel for the purpose of progressing the aforementioned developments.

B. On January 23, 2022, the Company completed a private placement of 11,966,979 ordinary Company shares to investors by way of a material private offering pursuant to the Securities Regulations, for further details see Note 16B.

C. On February 1, 2022, the Company entered into an additional amendment to the lease agreement, according to which the leasehold area was increased by approx. 524 sqm, used to increase office space and increase its research and development activity. For further details see Note 9.

D. On February 27, 2022, TDK informed the Company of its intention to exercise its right and continue investing in the Green Ammonia Development Project under the terms of the agreement, for the purpose of further developing the project in the context of the next milestone. For further details, see Note 14B.

E. On March 29, 2022, the Company's Board of Directors approved the allocation of 566,432 non-registered options to the Company’s employees, at an exercise price of USD 2.39 per share, to be vested over four years, each exercisable for an ordinary Company share of NIS 0.01 par value, in accordance with the options plan for employees and officers in the Company. The value of the benefit in respect of said grants amounted to approx. $ 1,120 thousand. The parameters used in application of the allotment model (as detailed in the section above) are as follows: The price of the Company's share at the time of grant USD 2.25, the non-risk interest rate - 1.69%, expected volatility of 96.47% and the projected period of the options 10 years. As of the date of publication of the financial statements, TASE approval of said grant is yet to be received.

Chapter D - Further details about the Corporation

1. **Regulation 9D - Report of the state of liabilities according to maturities**

   Attached in a separate Immediate Report

2. **Regulation 10A - Extract of reports on gross profit for each of the quarters in 2021 (thousands of dollars):**

Section	Quarter 1 2021	Quarter 2 2021	Quarter 3 2021	Quarter 4 2021	Total 2021
Sales	35	2.766	390	2.351	5.542
Cost of sales	1.262	2.548	1.074	3.623	8.507
Gross loss (profit)	1.227	(218)	684	1.272	2.965
Research and development, net	1.436	1.085	1.260	1.923	5.704
Sales and marketing expenses	1.215	1.052	890	1.623	4.780
Administrative and general expenses	1.182	1.256	1.434	3.101	6.973
Loss from ordinary activities	5.060	3.175	4.270	6.417	18.922
Financing (income) expenses	814	(162)	(89)	40	603
Other income	-	-	-	-	-
Income taxes	3	3	55	4	65
Loss	5.877	3.016	4.236	7.961	21.090
Other gross loss (profit)	11	(66)	3	(20)	(72)
Gross loss	5.888	2.950	4.239	17.941	21.018

For details regarding extract of reports on gross income for 2021, see also Chapter C of the Periodic Report.

3. **Regulation 10C - Use in return for securities**

3.1. On November 18, 2020, the Company completed an IPO of its ordinary shares under the prospectus amounting to approx. NIS 205 million (approx. $ 61.3 million)[1]. In the framework of the prospectus it was determined that the Company intends to use the proceeds of the offering under the prospectus (less issue expenses) in favor of an investment of approx. $ 10 million per year from the date of the prospectus inresearch and development of technology and new products. It was further determined that said issue proceeds would serve the Company for its current operations, including, inter alia, improvement of the production capability of the Company's products, establishment of production lines, expansion of the Company's marketing and sales system and expansion of the service system for the Company's products, as may be decided by the Company's Board of Directors from time to time and bearing in mind the Company's business strategy and financial results, as may be from time to time. Said issue proceeds were also used for repayment of loans granted by the founders and brother of one of them as well as debts in respect of unpaid wages to the founders, amounting to $ 1,864,587 (approx. NIS 6,296,710).

Proceeds objectives presented in the prospectus	Amount presented in the prospectus for achieving the objective (Dollar)	Amount required in practice for achieving the objective (Dollar)	Date objective achieved	Current stage of objectives not yet achieved or that have not been achieved in accordance with a forecasted schedule
Research and development activity in 2021	$ 10 million	$ 9.4 million (*)	Current activity	The Company began marketing the BOX system at the start of 2022, and is also progressing in the development of the FOX system and the G10 system that are expected to reach the market during 2023.
Repayment of loans to founders	1,864,587	$ 1,864,587	Paid shortly after the completion of the IPO in 2020	The loan was repaid in full.

[1] For further details regarding the results of the share issuance under the prospectus, see Immediate Report published by the Company on November 23, 2020 (Reference No.: 2020-01-126090). The aforesaid reference constitutes a generalization by way of reference.

(*) Neutralizing effects of IFRS

3.2. On April 12, 2021, the Company completed an issue of 3,484,000 ordinary shares as part of the shelf offer report published by the Company under the prospectus amounting of NIS 47 million (approx. $ 14.2 million)[1]. In the framework of the shelf offer report, it was determined that the issue proceeds (less issue expenses) would be used to finance the Company's current operations, as may be determined by the Company's Board of Directors from time to time, at its discretion.

4. **Regulation 11 - List of investments in subsidiaries and other affiliates as of the reporting date**

As of the date of reporting, the Company does not hold any other corporation, other than a 100% holding in the issued and paid-up share capital of Gencell Inc., which as of the date of publication of the report has no business activity.

5. **Regulation 12 - Changes in investments in subsidiaries and in material affiliates during the reporting period**

During the reporting period there were no changes in investments in subsidiaries and in material affiliates.

6. **Regulation 13 - Revenue of subsidiaries and affiliates and revenue therefrom**

During the reporting period no revenues were generated by subsidiaries and affiliates nor revenues derived therefrom.

7. **Regulation 20 - Trading on the stock exchange**

7.1. On April 18, 2021, 3,484,000 ordinary shares were listed for trading on the stock exchange, under a shelf offer report published by the Company on April 11, 2021, under the prospectus published by the Company.

7.2. During the reporting period, 800,855 ordinary shares were listed for trading on the stock exchange, arising from the exercise of unlisted options allotted to the Company's employees in accordance with the Company's options plan for employees and officers. Following the reporting period and up to the date of publication of the report, 24,454 ordinary shares were listed for trading on the stock exchange, arising from the exercise of unlisted options allotted to the Company's employees in accordance with the Company's options plan for employees and officers.

[1] For further details regarding the results of the additional issue, see the Company's Immediate Report dated April 12, 2021 (2021-01-061755). The aforesaid reference constitutes a generalization by way of reference.

7.3. On January 23, 2022, 11,966,979 ordinary shares were listed on the stock exchange, in accordance with a private placement made by the Company to investors by way of a material private offering pursuant to the Securities Regulations (Private Offering of Securities in a Listed Company) 5760-2000, dated January 18, 2022. For further details, see the Company's Immediate Reports dated January 18, 2022, January 23, 2022 (Reference No.: 2022-01-008007 and 2022-01-009495). The aforesaid reference constitutes a generalization by way of reference.

During the reporting period, trading in the Company's shares was not stopped.

8. **Regulation 21 - Payments to stakeholders and senior officials**

8.1. The following are provided, to the best of the Company's and directors' knowledge, with regards to remuneration given to each of the five highest paid senior executives in the Company, in connection with their tenure in the Company, as applicable, by the Company and by others, as recognized in the financial statements for the reporting year (USD):

Details of recipient					Remuneration for services							Other remuneration			Total
Name	Role	Terms of office and employment	Scope of job	Holding rate in Company capital as of the date of publication of the report	Wage(1)	Grant	Share-based payment	Management fees	Consulting fees	Commission	Other	Interest	Rent	Other	
Rami Reshef	CEO	8.50	100%	3.95%	364.274	151.945	972.652	-	-	-	-	-	-	-	1,488,872
Yossi Salmon	CFO	8.50	100%	1.55%	310.701	154.244	576.167	-	-	-	-	-	-	-	1,041,113
Gennadi Finkelshtain	VP Technology and Development	8.5(C)	100%	3.66%	294.528	77.122	576.167	-	-	-	-	-	-	-	947.818
Gil Shavit	Business Development Manager	8.50	100%	2.22%	291.307	77.122	576.167	-	-	-	-	-	-	-	944.597
Amit Ashkenazi	VP of Sales	8.50	100%	0.12%	257.189	43.891	263.620	-	-	-	-	-	-	-	564.700

(1) Wage costs include employer costs, including ancillary social security contributions and disability insurance, as well as ancillary expenses for wages, vehicles and mobile phone.

8.2. The following is information regarding benefits granted to each Company stakeholder who is not listed in Section 8.1 above, if such benefits were granted by the Company or by a corporation under its control in connection with services rendered as an employee of the Company or corporation under its control, whether or not an employee-employer relationship exists, and even if the stakeholder did not hold a senior position in the Company during the reporting period (data in dollars):

Details of recipient					Remuneration for services							Other remuneration			Total
Name	Role	Terms of office and employment	Scope of job	Holding rate in Company capital as of the date of publication of the report	Wage	Grant	Share-based payment	Management fees	Consulting fees	Commission	Other	Interest	Rent	Other	
Asher Levy	Chairman of the Board	8.6	20%	0%	-	-	136.421	108.490	-	-	-	-	-	-	229.147

8.3. Remuneration policy

On November 8, 2020, the Company's Board of Directors and the Company's General Meeting approved (pursuant to the provisions of Regulation 1 of the Companies Regulations (Relief regarding Duty to Determine Remuneration Policy), 5773-2013, an exempt remuneration policy for the Company in accordance with Section 2A of said regulations. Under the above regulations, a remuneration policy described in a prospectus of a reporting corporation offering its securities to the public for the first time, shall be deemed a remuneration policy prescribed in accordance with Section 267A of the Companies Law, and only subject to approval five years from the date the corporation became a public company. Hence, the Company's remuneration policy will remain in effect for 5 years from the date of listing of the shares on the stock exchange under the prospectus. For the wording of the remuneration policy, see Appendix C to Chapter 8 of the prospectus.

8.4. Directors' remuneration - Further details

On November 8, 2020, the Company's Board of Directors and the General Meeting of the Company confirmed that the remuneration paid to all directors who do not receive remuneration or management fees from the Company, as may serve from time to time, will be within the "maximum amount" set by the Companies Regulations (Rules regarding Remuneration and Expenses for External Director), 5760-2000 ("**Remuneration Regulations**") and that the remuneration paid to an external expert director shall be as provided in the Remuneration Regulations. Moreover, directors will be entitled to reimbursement of expenses in accordance with the Remuneration Regulations.

At the above date, the Company's Board of Directors and the Company's General Meeting also approved the allotment of 70,000 non-listed options to each of the following: Ben Zion (Benny) Landa and Michal Arlozorov, each of which may be exercised for one ordinary Company share, in accordance with the Company's options plan for employees and officers therein, with the maturation period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.

Without derogating from the above, in accordance with a decision passed by the Company's competent bodies, as may be from time to time, the Company will be entitled to grant directors, as may serve from time to time, capital remuneration in accordance with the provisions of the Company's remuneration policy.

On February 21, 2021, having received the approval of the Company's Board of Directors, the Company's General Meeting approved the remuneration as specified above in accordance with the Remuneration Regulations for each of the following: Amikam Shafran, Eli Gurovitz, Emanuel Avner and Segi Eitan, with Segi Eitan and Emanuel Avner appointed as primary external directors in the Company, by being in possession, inter alia, of accounting and financial expertise in accordance with the provisions of the Companies Regulations (Terms

and Tests for a Director with Accounting and Financial Expertise and a Director with Professional Competence), 5766-2005 ("**Regulations of Competence and Expertise**"). For further details, see the Company's Immediate Reports dated January 17, 2021 and February 21, 2021 (Reference No.: 2021-01-007195 and 2021-01-020439, respectively.) The aforesaid references constitute a generalization by way of reference.

Furthermore, on March 3, 2021, the Company's Audit Committee classified Ms. Michal Arlozorov as an independent director in accordance with the provisions of the Companies Law. It should be noted that Ms. Arlozorov was classified as having accounting and financial expertise pursuant to the Qualifications and Expertise Regulations.

Moreover, on August 29, 2021, Mr. Amikam (Ami) Shafran was classified as having accounting and financial expertise pursuant to the Qualifications and Expertise Regulations, and accordingly the directors' remuneration to which he is entitled was updated to include additional "expertise" for an expert external director as set forth in the Companies' Regulations (Rules Regarding Remuneration and Expenses for an External Director) and in accordance with the approval of the Company's competent bodies as specified above.

On February 21, 2021 the Company's Board of Directors and the Company's General Meeting, having received the approval of the Company's Board of Directors, approved the allotment of 70,000 non-listed options to each of the following: Amikam Shafran, Eli Gurovitz, Emanuel Avner and Segi Eitan, and in total 280,000 options, each of which may be exercised for one ordinary Company share, in accordance with the Company's options plan for employees and officers therein, with the maturation period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature. It should be noted that on July 11, 2021 the Company's General Meeting, having received the approval of the Company's Remuneration Committee and Board of Directors, approved the amendment of the exercise price of the non-listed options granted to Segi Eitan, Emanuel Avner, Amikam (Ami Shafran) and Eli Gurovitz.

For further details, see the Company's Immediate Reports dated January 17, 2021, February 21, 2021, June 3, 2021 and July 12, 2021, respectively (Reference No.: 2021-01-007195, 2021-01-020439, 2021-01-035272 and 2021-01-051646, respectively). The aforesaid references constitute a generalization by way of reference.

The fees for participation in the meeting and the annual fees paid by the Company to all directors who do not receive salaries or management fees from the Company, in 2021, was approx. $ 333 thousand and approx. $ 203 thousand, in respect of the share-based payment.

8.5. Below is a breakdown of the contract terms with the senior executives listed in the Table in Section 8.1 above:

(A) Rami Reshef - Company CEO - further details

Mr. Rami Reshef has been serving as the Company's CEO since May 1, 2011. In accordance with Mr. Reshef's employment agreement, as of the date of completion of the share's issuance under the prospectus and their listing on the stock exchange (in this section only "employment agreement"), Mr. Reshef is entitled to a monthly salary (gross) of approx. $ 21.38 thousand (NIS 72.7 thousand).

Under the employment agreement, the Company insures Mr. Reshef under executive insurance and allocates all the common provisions to Mr. Reshef's executive insurance fund, monthly. The Company also contributes monthly to Mr. Reshef's advanced study fund.

Mr. Reshef is entitled to 22 vacation days per year with a cumulative option of up to 50 days in total, subject to redemption of vacation days upon termination of the employment agreement.

The Company provides Mr. Reshef with a vehicle worth up to $ 48.53 thousand (approx. NIS 165 thousand), with Mr. Reshef having the option to choose the model and/or year of manufacture of the vehicle and the Company bearing all the costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Reshef a monthly reimbursement of expenses amounting to approx. $ 1.6 thousand (approx. NIS 5.5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.

Pursuant to the employment agreement, the Company provides Mr. Reshef with a cell phone and bears the costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Reshef reimbursement of expenses for the use of Mr. Reshef's personal cell phone.

The parties may terminate Mr. Reshef's employment agreement at any time and following 6 months' prior notice (in this section only "Period of prior notice"). Alternatively, the Company may shorten the prior notice period, in whole or in part, and pay Mr. Reshef in lieu of the prior notice, a gross monthly salary equal to the balance of the prior notice period (including any welfare terms to which he is entitled). In the event of termination of said employment by the Company, except in the event of termination of employment under special circumstances, in addition to the prior notice period, Mr. Reshef will be entitled to: (a) An adjustment grant equal to 6 salaries b) Acceleration of the maturation dates of the options that have not yet reached maturity by a period of 6 months. The employment agreement further stipulates that in the event that Mr. Reshef resigns voluntarily, eligibility for the said adjustment grant will be determined at the discretion of the Company's Board of Directors.

The employment agreement includes Mr. Reshef's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.

In addition, Mr. Reshef, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.

Mr. Reshef is entitled to receive annual grants (for meeting the Company's targets and at the Company's discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.

The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Reshef will be entitled to receive non-listed options, once every four years, each of which may be exercised for one ordinary share, in accordance with the options plan, with the maturation period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.

Upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Reshef was allotted 712,976 non-listed options, each of which can be exercised for one ordinary share, in accordance with the options plan and all in accordance with the approval of the Company's Board of Directors and General Meeting dated November 8, 2020.

On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Reshef of an amount equal to approx. 6 salaries in respect of 2021, all in accordance with the Company's Remuneration Policy provisions, as well as updated Mr. Reshef's employment agreement so that as of April 1, 2022, Mr. Reshef will be entitled to a monthly salary of NIS 90,000. It should be noted that the updating of Mr. Reshef's salary as aforesaid was approved as an immaterial change by the Company's Remuneration Committee and Board of Directors under the CEO's terms of office and employment (in accordance with the provisions of Section 272(d) of the Companies Law), and all in accordance with the provisions of the Company's Remuneration Policy.

(B) Yossi Salmon - Company CFO

Mr. Yossi Salmon has been serving as the Company's CFO as of April 19, 2015. In accordance with Mr. Salmon's employment agreement, as of the date of completion of the share's issuance under the prospectus and their listing on the stock exchange (in this

section only "employment agreement"), Mr. Salmon is entitled to a monthly salary (gross) of approx. $ 18.1 thousand (NIS 61.5 thousand).

Under the employment agreement, the Company insures Mr. Salmon under executive insurance and allocates all the common provisions to Mr. Salmon's executive insurance fund, monthly. The Company also contributes monthly to Mr. Salmon's advanced study fund.

Mr. Salmon is entitled to 22 vacation days per year with a cumulative option of up to 50 days in total, subject to redemption of vacation days upon termination of the employment agreement.

The Company provides Mr. Salmon with a vehicle worth up to $ 41.17 thousand (approx. NIS 140 thousand), with Mr. Reshef having the option to choose the model and/or year of manufacture of the vehicle and the Company bearing all the costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Salmon a monthly reimbursement of expenses amounting to approx. $ 1.5 thousand (approx. NIS 5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.

Moreover, under the employment agreement, the Company may pay Mr. Salmon reimbursement of expenses for the use of his personal cell phone, except for tax deduction in its regard.

The parties may terminate Mr. Salmon's employment agreement at any time and following 6 months' prior notice (in this section only "Period of prior notice"). Alternatively, the Company may shorten the prior notice period, in whole or in part, and pay Mr. Salmon in lieu of the prior notice, a gross monthly salary equal to the balance of the prior notice period (including any welfare terms to which he is entitled). In the event of termination of said employment by the Company, except in the event of termination of employment under special circumstances, in addition to the prior notice period, Mr. Salmon will be entitled to: (a) An adjustment grant equal to 4 salaries (in this section only "adjustment grant" b) Acceleration of the maturation dates of the options that have not yet reached maturity by a period of 4 months. The employment agreement further stipulates that in the event that Mr. Salmon resigns voluntarily, eligibility for the said adjustment grant will be determined at the discretion of the Company's Board of Directors.

The employment agreement includes Mr. Salmon's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.

Mr. Salmon is entitled to receive annual grants (for meeting the Company's targets, personal targets and at the Company's discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.

The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Salmon will be entitled to receive non-listed options, once every four years, each of which may be exercised for one ordinary share, in accordance with the options plan, with the maturation period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.

In addition, Mr. Salmon, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.

Upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Salmon was allotted 422,351 non-listed options, each of which can be exercised for one ordinary share, in accordance with the options plan and all in accordance with the approval of the Company's Board of Directors and General Meeting dated November 8, 2020.

On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Salmon of an amount equal to approx. 6 salaries in respect of 2021, all in accordance with the Company's Remuneration Policy provisions, as well as updated Mr. Salmon's employment agreement so that as of April 1, 2022, Mr. Salmon will be entitled to a monthly salary of NIS 72,000.

(C) Gennadi Finkelshtain - VP of Technology and Development - further details

Mr. Gennadi Finkelshtain has been serving as the Company's VP of Technology and Development since May 24, 2011. In accordance with Mr. Finkelshtain's employment agreement, as of the date of completion of the share's issuance under the prospectus and their listing on the stock exchange (in this section only "employment agreement"), under which Mr. Finkelshtain is entitled to a monthly salary (gross) of approx. $ 18.1 thousand (NIS 61.5 thousand).

Under the employment agreement, the Company insures Mr. Finkelshtain under pension insurance and allocates all the common provisions to Mr. Finkelshtain's pension fund, monthly. The Company also contributes monthly to Mr. Finkelshtain's advanced study fund.

Mr. Finkelshtain is entitled to 22 vacation days per year with a cumulative option of up to 50 days in total, subject to redemption of vacation days upon termination of the employment agreement.

The Company provides Mr. Finkelshtain with a vehicle worth up to $ 41.17 thousand (approx. NIS 140 thousand), with Mr. Finkelshtain having the option to choose the model and/or year of manufacture of the vehicle and the Company bearing all the costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Finkelshtain a monthly reimbursement of expenses amounting to approx. $ 1.5 thousand (approx. NIS 5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.

Moreover, under the employment agreement, the Company may pay Mr. Finkelshtain reimbursement of expenses for the use of his personal cell phone, except for tax deduction in its regard.

The parties may terminate Mr. Finkelshtain's employment agreement at any time and following 6 months' prior notice (in this section only "Period of prior notice"). Alternatively, the Company may shorten the prior notice period, in whole or in part, and pay Mr. Finkelshtain in lieu of the prior notice, a gross monthly salary equal to the balance of the prior notice period (including any welfare terms to which he is entitled). In the event of termination of said employment by the Company, except in the event of termination of employment under special circumstances, Mr. Finkelshtain will be entitled to: (a) An adjustment grant equal to 4 salaries (in this section only "adjustment grant"); and (b) Acceleration of the maturation dates of the options that have not yet reached maturity by a period of 4 months. The employment agreement further stipulates that in the event that Mr. Finkelshtain resigns voluntarily, eligibility for the said adjustment grant will be determined at the discretion of the Company's Board of Directors.

The employment agreement includes Mr. Finkelshtain's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.

In addition, Mr. Finkelshtain, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.

Mr. Finkelshtain is entitled to receive annual grants (for meeting the Company's targets, personal targets and at the Company's discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.

The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Finkelshtain will be entitled to receive non-listed options, once every four years, each of which may be exercised for one ordinary share, in accordance with the options plan, with the maturation period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.

Upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Finkelshtain was allotted 422,351 non-listed options, each of which can be exercised for one ordinary share, in accordance with the options plan.

On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Finkelshtain of an amount equal to approx. 3 salaries in respect of 2021, all in accordance with the Company's Remuneration Policy provisions, as well as updated Mr. Finkelshtain's employment agreement so that as of April 1, 2022, Mr. Finkelshtain will be entitled to a monthly salary of NIS 72,000.

(D) Gil Shavit - Business Development Manager - Further details

Mr. Gil Shavit has been serving as the Company's Business Development Manager since May 24, 2011. In accordance with Mr. Shavit's employment agreement, as of the date of completion of the share's issuance under the prospectus and their listing on the stock exchange (in this section only "employment agreement"), Mr. Shavit is entitled to a monthly salary (gross) of approx. $ 18.1 thousand (NIS 61.5 thousand).

Under the employment agreement, the Company insures Mr. Shavit under pension insurance and allocates all the common provisions to Mr. Shavit's pension fund, monthly. The Company also contributes monthly to Mr. Shavit's advanced study fund.

Mr. Shavit is entitled to 22 vacation days per year with a cumulative option of up to 50 days in total, subject to redemption of vacation days upon termination of the employment agreement.

The Company provides Mr. Shavit with a vehicle worth up to $ 41.17 thousand (approx.NIS 140 thousand), with Mr. Shavit having the option to choose the model and/or year of manufacture of the vehicle. The vehicle is used by Mr. Shavit for his job and the Company bears all costs involved. Alternatively, the Company may pay Mr. Shavit a monthly reimbursement of expenses amounting to approx. $ 1.5 thousand (approx. NIS 5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.

Moreover, under the employment agreement, the Company may pay Mr. Shavit reimbursement of expenses for the use of his personal cell phone, except for tax deduction in its regard.

The parties may terminate Mr. Shavit's employment agreement at any time and following 6 months' prior notice (in this section only "Period of prior notice"). Alternatively, the Company may shorten the prior notice period, in whole or in part, and pay Mr. Shavit in lieu of the prior notice, a gross monthly salary equal to the balance of the prior notice period (including any welfare terms to which he is entitled). In the event of termination of said employment by the Company, except in the event of termination of employment under special circumstances, in addition to the prior notice period, Mr. Shavit will be entitled to: (a) An adjustment grant equal to 4 salaries (in this section only "adjustment grant"); and (b) Acceleration of the maturation dates of the options that have not yet reached maturity by a period of 4 months. The employment agreement further stipulates that in the event that Mr. Shavit resigns voluntarily, eligibility for the said adjustment grant will be determined at the discretion of the Company's Board of Directors.

The employment agreement includes Mr. Shavit's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.

In addition, Mr. Shavit, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.

Mr. Shavit is entitled to receive annual grants (for meeting the Company's targets, personal targets and at the Company's discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.

The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Shavit will be entitled to receive non-listed options, once every four years, each of which may be exercised for one ordinary share, in accordance with the options plan, with the maturation period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.

Upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Shavit was allotted 422,351 non-listed options, each of which can be exercised for one ordinary share, in accordance with the options plan and all in

accordance with the approval of the Company's Board of Directors and General Meeting dated November 8, 2020.

On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Shavit of an amount equal to approx. 3 salaries in respect of 2021, all in accordance with the provisions of the Company's Remuneration Policy, as well as updated Mr. Shavit's employment agreement so that as of April 1, 2022, Mr. Shavit will be entitled to a monthly salary of NIS 67,500.

(E) Amit Ashkenazi - VP of Sales - Further details

Mr. Haim Ashkenazi has been serving as the Company's VP of Sales since January 30, 2018. In accordance with Mr. Ashkenazi's employment agreement, as of the date of completion of the share's issuance under the prospectus and their listing on the stock exchange (in this section only "employment agreement"), Mr. Ashkenazi is entitled to a monthly salary (gross) of approx. $ 12.9 thousand (NIS 44 thousand) and as of July 1, 2021 to a total of approx. $ 16.4 thousand (NIS 52.5 thousand), having met milestones set in advance by the Company's bodies competent to do so.

Under the employment agreement, the Company insures Mr. Askenazi under pension insurance and allocates all the common provisions to Mr. Ashkenazi's pension fund, monthly. The Company also contributes monthly to Mr. Ashkenazi's advanced study fund.

Mr. Ashkenazi is entitled to 22 vacation days per year with a cumulative option of up to 7 days in total, subject to redemption of vacation days upon termination of the employment agreement.

The Company provides Mr. Ashkenazi with a vehicle worth up to $ 41.17 thousand (approx. NIS 140 thousand), with Mr. Ashkenazi having the option to choose the model and/or year of manufacture of the vehicle and the Company bearing all the costs involved, except for tax deduction in its regard. Alternatively, the Company may pay Mr. Ashkenazi a monthly reimbursement of expenses amounting to approx. $ 1.5 thousand (approx. NIS 5 thousand) in respect of his personal vehicle, except for tax deduction in its regard.

Moreover, under the employment agreement, the Company may pay Mr. Ashkenazi reimbursement of expenses for the use of his personal cell phone, except for tax deduction in its regard.

The parties may terminate Mr. Ashkenazi's employment agreement at any time and following 3 months' prior notice.

The employment agreement includes Mr. Ashkenazi's undertaking to not compete with the Company's business during the agreement period and up to 12 months following its termination.

In addition, Mr. Ashkenazi, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company.

Mr. Ashkenazi is entitled to receive annual grants (for meeting the Company's targets, personal targets and at the Company's discretion) and a special grant, subject to the approval of the Company's competent bodies and pursuant to the Company's Remuneration Policy, as may be determined from time to time.

The employment agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Ashkenazi will be entitled to receive non-listed options, once every four years, each of which may be exercised for one ordinary share, in accordance with the options plan, with the maturation period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.

Upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Ashkenazi was allotted 252,153 non-listed options, each of which can be exercised for one ordinary share, in accordance with the options plan.

On March 29, 2022, the Company's Board of Directors, having received approval from the Company's Remuneration Committee on March 22, 2022, approved the granting to Mr. Ashkenazi of an amount equal to approx. 2 salaries in respect of 2021, all in accordance with the provisions of the Company's Remuneration Policy, as well as updated Mr. Ashkenazi's employment agreement so that as of April 1, 2022, Mr. Ashkenazi will be entitled to a monthly salary of NIS 57,000.

8.6. Below is a breakdown of the contract terms with stakeholders listed in the Table in Section 8.2 above:

Asher Levy - Chairman of the Company's Board of Directors - Further details

On November 8, 2020, the Company's Board of Directors and the General Meeting of the Company approved the contract with Mr. Levy, who is an employee and shareholder in a private company under the control of Mr. Ben Zion (Benny) Landa, the controlling shareholder of the Company, in an agreement for provision of management services to the Company, for a lawful period, which entered into force on the date of completion of the issuance of the shares under the prospectus and their listing on the stock exchange (in this

section only "Management Services Agreement"), according to which Mr. Levy provides the Company with Chairman of the Board services at a 20% work scope.

In return for the above management services, the Company pays Mr. Levy a management fee of NIS 25,000 per month plus lawful VAT (in this section only "management fee") against receipt of a lawful tax invoice. The management fees are linked to the consumer price index for September 2020 published on October 15, 2020 and will be updated quarterly. The management fees are paid monthly, no later than the 10th day of each calendar month in respect of the previous calendar month.

Moreover, Mr. Levy is entitled to reimbursement of expenses incurred by him in providing the Services to the Company, in accordance with the Company's policy and against presentation of appropriate receipts, provided that in respect of expenses that do not comply with the Company's policy, the reimbursement is made subject to approval by the Company's Board of Directors.

The Company provides Mr. Levy with an office (as necessary) and bears all the fixed and variable expenses entailed in the use and maintenance of said office, for fulfillment of his obligations to the Company.

The Company may at any time terminate the receipt of all or part of the management services, for any reason, by 3 months' prior notice.

In addition, Mr. Levi, as an officer of the Company, is entitled to an exemption, to an indemnity undertaking and officers' liability insurance in accordance with the Company's Articles of Association and Remuneration Policy and as is common practice in the Company with regards to directors and officers serving therein.

The management agreement further stipulates that subject to the approval of the Company's competent bodies and pursuant to the Company's remuneration policy, Mr. Levy will be entitled to receive non-listed options, once every four years, each of which may be exercised for one ordinary share, in accordance with the options plan for employees and officers in the Company, with the maturation period spread over 48 months such that as of the date of their granting and at the end of each quarter, 1/16 of the options granted will mature.

Upon completion of the issue of the shares under the prospectus and their listing on the stock exchange, Mr. Levy was allotted 100,000 non-listed options, each of which can be exercised for one ordinary share, in accordance with the options plan, at a total value of approx. $ 280 thousand (approx. NIS 924 thousand).

9. **Regulation 21A - Control of the corporation**

To the best of the Company's knowledge, the controlling shareholder of the Company, as of the date of publication of the report, is Mr. Ben Zion (Benny) Landa, a director of the Company,

through Landa Ventures Ltd., a private company under his full ownership (100%), holder of approx. 27.56% of the Company's issued and paid-up share capital.

10. **Regulation 22 - Transactions with the controlling shareholder**

The following are details, to the best of the Company's knowledge, regarding any transaction with a controlling shareholder or transaction in which the controlling shareholder has a personal interest, which the corporation entered into in the reporting year or at the end of the reporting year up until the publication of the report or which is still valid at the time of publication:

10.1. **Transactions listed in Section 270(4) of the Companies Law**

10.1.1. Directors' remuneration

For details regarding remuneration to the directors of the Company, including Mr. Ben Zion (Benny) Landa, the controlling shareholder of the Company, see Section 8.4 above.

10.1.2. Insurance of directors and officers

For details regarding the insurance of directors and officers of the Company, including Mr. Ben Zion (Benny) Landa, the controlling shareholder of the Company, see Section 20.40 below.

10.1.3. Exemption and indemnity letters

For details regarding exemption and indemnity letters granted to directors and officers of the Company, including Mr. Ben Zion (Benny) Landa, the controlling shareholder of the Company, see Section 200 and0 below.

10.2. **Transactions not listed in Section 270(4) of the Companies Law**

10.2.1. Remuneration of the Company's CEO

For further details, see Section 8.50 below.

10.2.2. Entering into a services agreement with the Chairman of the Board

For details regarding a services agreement with the Chairman of the Board of Directors, Mr. Asher Levy, who serves as Chairman of the Board at Landa Digital Printing, a company controlled by Mr. Landa, the controlling shareholder of the Company, see Section 8.6 above.

For details regarding transactions with the controlling shareholder, see Note 27 in Chapter C of the Periodic Report.

11. **Regulation 24 – Stakeholders' and senior officers' holdings**

11.1. The following provides, to the best of the Company's knowledge, a breakdown of stakeholders' holdings in the Company (including the CEO and directors, and including any other employee holding five percent or more of the issued share capital of the Company or by virtue of voting rights therein), near the date of publication of the report:

Holder name	Ordinary shares	Non-negotiable options	Holding rate (undiluted)	Holding rate (fully diluted)
Ben Zion Landa	29,736,360	70.000	27.55%	25.77%
W3 ENERGY INVESTMENTS	8,833,477	-	8.18%	7.64%
NH3 ENERGY INVESTMENTS	767.585	-	0.71%	0.66%
Rami Reshef	4,258,430	712.976	3.95%	4.30%
Asher Levy	-	100.000	0.00%	0.09%
Michal Arlozorov	-	70.000	0.00%	0.06%
Eli Gurovich	-	70.000	0.00%	0.06%
Amikam (Ami) Shafran	-	70.000	0.00%	0.06%
Segi Eitan	-	70.000	0.00%	0.06%
Emanuel Avner	-	70.000	0.00%	0.06%
Migdal Insurance and Finance Holdings Ltd. - Mutual Funds	1,516,713	-	1.41%	1.31%
Migdal Insurance and Finance Holdings Ltd. - Participator in profits	8,070,619	-	7.48%	6.98%
Harel Insurance Investments and Financial Services Ltd.	8,568,295	-	7.94%	7.41%

11.2. The following provides, to the best of the Company's knowledge, a breakdown of senior officers'holdings in the Company (excluding the CEO and directors, and excluding any other employee holding five percent or more of the issued share capital of the Company or by virtue of voting rights therein), near the date of publication of the report:

Holder name	Ordinary shares	Non-negotiable options	Holding rate (undiluted)	Holding rate (fully diluted)
Gennadi Finkelshtain	3,952,501	422.351	3.66%	3.78%
Gil Shavit	2,374,116	422.351	2.20%	2.42%
Yossi Salmon	1,667,678	422.351	1.55%	1.81%
Amit Ashkenazi	126.398	358.780	0.12%	0.42%
Haim Moshe	126.398	358.780	0.12%	0.42%
Ofir Zriel	42.687	128.060	0.04%	0.15%
Shmuel Peretz	-	193.000	-	0.17%

12. **Regulation 24A and Regulation 24B - registered capital, issued capital, convertible securities and register of shareholders**

For further details, see the Company's Immediate Report dated March 22, 2022 (Reference No.: 2022-01-028059). The aforesaid reference constitutes a generalization by way of reference.

13. **Regulation 25A - Registered address**

Address: 7 Hatnufa St., Petah Tikva 4951025;

Phone: 03-7261616;

Fax: 03-7261617;

E-mail: info@gencellenergy.com;

14. **Regulation 26 - Company directors**

The following are details regarding directors who serve on the Company's board of directors:

Name	Asher Levy	Ben Zion (Benny) Landa	Michal Arlozorov	Eliezer (Eli) Gurovitz	Amikam (Ami) Shafran	Emanuel Avner	Segi Eitan
ID number	055640791	314093550	055458921	059237016	061519153	056524192	51404457
Date of birth	15.2.1959	2.6.1946	22.8.1958	1.2.1965	9.9.1954	5.7.1960	21.1.1954
Address for serving court writs	19 HaAtzmaut St., Raanana	35 Ben Avi Itamar St., Ness Ziona	15 Bat Sheva St., Herzliya	19 Klausner St., Raanana	82 Rambam St., Raanana	5 Aluf Magen Kalman St., Apartment 74, Tel Aviv	58 Shalva St., Herzliya Pituach
Citizenship	Israeli	Israeli and Canadian	Israeli	Israeli	Israeli	Israeli	Israeli
Start of tenure as director	7.10.2020	28.6.2018	16.9.2020	1.12.2020	8.12.2020	21.2.2021	21.2.2021
Member of the Board of Directors	Strategy Committee	No	Committee for examining financial statements, Enforcement Committee	Audit Committee, Strategy Committee, Enforcement Committee	Remuneration Committee, Strategy Committee	Committee for examining financial statements, Audit Committee, Remuneration Committee, Strategy Committee, Enforcement Committee	Committee for examining financial statements, Audit Committee, Remuneration Committee, Enforcement Committee
Is it an independent director or an external director as defined in the Companies Law	No	No	Yes, an independent director[3]	No	No	Yes, an external director	Yes, an external director
Possessing accounting and financial expertise or	Possessing accounting and financial expertise	Possessing professional competence	Possessing accounting and financial expertise	Possessing professional competence	Possessing accounting and financial expertise	Possessing accounting and financial expertise	Possessing accounting and financial expertise

[3] On March 3, 2021, the Company's Audit Committee classified Ms. Michal Arlozorov as an independent director in accordance with the provisions of the Companies Law.

Name	Asher Levy	Ben Zion (Benny) Landa	Michal Arlozorov	Eliezer (Eli) Gurovitz	Amikam (Ami) Shafran	Emanuel Avner	Segi Eitan
professional competence							
Is it an expert external director	No	No	Yes	No	No	Yes	Yes
Is the director an employee of the Company, of a subsidiary or its affiliated company or of a stakeholder therein? If so, the positions it holds	Yes, Chairman of the Board at Landa Digital Printing, a company controlled by Mr. Landa, the controlling shareholder of the Company	Yes, a director of the Company and Chairman of the Board of Directors at the Company's controlling shareholder	No	No	No	No	No
Education	B.Sc. in Industrial Engineering and Management, Ben Gurion University; M.B.A in Business Administration, Tel Aviv University; Graduate of the Executive Program, Harvard Business School.	MA in Art, London Film School	L.L.B. in Law, Tel Aviv University; B.A in Political Science and Labor Studies, Tel Aviv University; Graduate of the AMP Executive Program at Harvard Business School;	Electrical Engineer, Bridgeport University, USA	BSc - Electrical Engineering - Ben Gurion University, Beer Sheva MBA - Business Administration - Tel Aviv	B.A in Economics and Accounting, The Hebrew University, Jerusalem; M.A in Business Administration with honors, Hebrew University, Jerusalem; CPA with Israeli license, The Hebrew University, Jerusalem; CPA with US license;	B.A in Economics and Accounting, Bar-Ilan University; CPA;
Business experience in past 5 years	CEO of Orbotech Ltd. (2013-2019); Member of the Board of Directors of non-profit organizations: Leket Israel RA; Branco Weiss Schools Network RA; and Itim RA; Chairman of the Board of NSO;	Entrepreneur; Director of the corporations listed below;	Senior Vice President, Legal Adviser, Corporate Communications Officer and Sustainability Officer at the ADAMA Group in Israel and China;	CEO of the Security Products Division and CEO of the Innovation Division, Johnson Controls International plc;	Chairman of the Board of Directors of Ariel University; CEO of Aurora Star Ltd.; Shafran Consulting	Financial Expert on behalf of the Debt Settlement Court of Public Companies; External Director, Isramco Negev 2 Limited Partnership; External Director, Moyanian Limited.	From July 2004 to May 2019 CEO of the Property and Building Company Ltd.; Deputy Chairman of the Board of Directors of Gev Yam Land Ltd., Chairman of the Board of Directors of Matam - the Haifa Science Industries Center Ltd., Chairman of

Name	Asher Levy	Ben Zion (Benny) Landa	Michal Arlozorov	Eliezer (Eli) Gurovitz	Amikam (Ami) Shafran	Emanuel Avner	Segi Eitan
							the Board of Directors of Yishparo, an Israeli Building Leasing Company Ltd., Chairman of Gev Yam Negev Ltd.;
Additional corporations in which it serves as director	Chairman of the Board at Landa Digital Printing, a company controlled by Mr. Landa, the controlling shareholder of the Company;	Rotigliano Ltd.; Turgania Ltd.; Solerno Ltd.; Landa Corporation Ltd.; Landa Labs (2012) Ltd.; Landa Ventures Ltd.; Landa Capital 2020 Ltd.; Lumet Technologies Ltd.; Lucix Ltd.; Landa Nanometallics Ltd.; Ripliz Ltd.; Haycon Systems Ltd.; Landa Disruptive Investments Ltd.	Holmes Place International Ltd.; Ackerstein Group Ltd.	Point. A. Ltd.	Paz Oil Company Ltd.; Pazker Ltd.; Paz Oils and Chemicals Ltd.; Communitake Technologies Ltd.; Al Sight Ltd.; Aurora Star Ltd.; Waterfall Security Solutions Ltd.; Hirisetech Ltd.; Gilat Satellite Networks Ltd.;	Clalit Health Services; Member of the Lottery Audit Committee;	Independent Director of Melissron Ltd.; Member of the Board of Directors and member of the Audit Committee, Bank of Israel.
Family ties to another stakeholder in the Company	No	No	No	No	No	No	No
Does the Company deem it as having accounting and financial expertise for the purpose of meeting the minimum number determined by the	No	No	Yes	No	Yes	Yes	Yes

Name	Asher Levy	Ben Zion (Benny) Landa	Michal Arlozorov	Eliezer (Eli) Gurovitz	Amikam (Ami) Shafran	Emanuel Avner	Segi Eitan
Board of Directors under Section 92(a)(12) of the Companies Law)							

15. **Regulation 26A - Senior officers in the Company**

The following are the details of the Company's senior officers:

Name	Rami Reshef	Gil Shavit	Gennadi Finkelshtain	Yossi Salmon	Shmuel Peretz	Amit Ashkenazi	Haim Moshe	Ariel Makhtay	Ofir Zriel	Gil Rogozinski
ID No.	58322181	56167182	304146558	022466171	056013865	032258188	036156693	026662544	065635542	024572059
Date of birth	9.9.1963	1.1.1960	16.6.1959	27.5.1966	21.9.1959	3.5.1975	28.6.1979	8.6.1980	3.8.1982	18.01.1970
Start of term of office	1.5.2011	24.5.2011	24.5.2011	19.4.2015	1.7.2021	18.2.2020	15.1.2015	2.12.2021	2.3.2018	24.3.2021
Position in the Company, its subsidiary, its affiliated company or a stakeholder therein	Company CEO; It should be noted that during the reporting period, Ms. Ayala Reshef, Mr. Reshef's wife, was employed by a company in which the Chairman of the Board of Directors and its controlling shareholder, is the controlling shareholder	Company Business Development Manager	Company VP Technology and Development	Company CFO and responsible for managing its market risks	Company VP of Operations	Company VP of Global Sales	VP of Customer Support and Projects	Marketing Director	CFO and Company Treasurer	Internal Auditor
Education	-	Electrical and Electronics Engineer, Ben-	M.S.C in Electrical Engineering, St. Petersburg	B.A. inBusiness Administration and	BSc in Industry and Management, Ben Gurion	B.A. in Management, Open University;	Electronics Engineer, Kfar Citrine;	BSC Marketing and Advertising, Fashion	CPA; B.A. in Business Administration	CPA; Bachelor of Business Administration

Name	Rami Reshef	Gil Shavit	Gennadi Finkelshtain	Yossi Salmon	Shmuel Peretz	Amit Ashkenazi	Haim Moshe	Ariel Makhtay	Ofir Zriel	Gil Rogozinski
		Gurion University	University, Russia	Accounting, Academic Track of the College of Management; EMBA in Business Administration, Bar-Ilan University;	University; MBA in Business Administration, Ben-Gurion University;		Quality Engineering, ALD College;	Institute of Technology, NY; MA Marketing, New York University	and Accounting, Academic Track of the College of Management; M.B.A in Business Administration Specialization in Finance, Academic Track of the College of Management;	and Accounting, Academic Track College of Management; Certified Internal Auditor (C.I.A) and American Accountant (C.P.A); Certified Risk Manager (CRMA).
Business experience in past 5 years	CEO and Company director	President, business development director and director of the Company	The Company's VP of technology and development and director therein	Company VP of Finance	VP of global operations at Orbotech	The Company's VP of global sales; Sales and global business development Bezeq International;	VP Customer Support and projects at the Company	Marketing Director, Wicks.com Ltd.; Marketing Director, Pepper, Bank Leumi; Marketing Director Sabra from the Strauss Group.	Company Treasurer; Treasurer atMobilai Vision Technologies Ltd.;	Partner - Director Internal Audit and Consulting Business - Focus Financial Operational Consulting Ltd.; Internal auditor of public companies - Focus Financial Operational Consulting
A stakeholder in the Company or a family member of a senior officer or stakeholder	Yes	No	No	No	No	No	No	No	No	No

Name	Rami Reshef	Gil Shavit	Gennadi Finkelshtain	Yossi Salmon	Shmuel Peretz	Amit Ashkenazi	Haim Moshe	Ariel Makhtay	Ofir Zriel	Gil Rogozinski
in the Company										

16. **Regulation 26B - Independent signatories**

The Company does not have independent signatories.

17. **Regulation 27 - Corporation's CPA**

Name of firm: Britman Almagor Zohar & Co.

Address: Azrieli Center 1, Tel Aviv, 6116402.

18. **Regulation 28 - change in memorandum or AOA**

No changes were made to the Company's Articles of Association during the reporting period.

For the full version of the AOA, see Immediate Report published on November 18, 2020 (Reference No.: 2020-01-123804). The above-mentioned reference constitutes a generalization by way of reference.

19. **Regulation 29 - Recommendations and decisions by directors**

19.1. Recommendations by directors prior to the General Meeting, and their decisions on matters specified in the regulation which are not subject to the approval of the General Meeting

1. Payment of a dividend or executing a distribution as defined in the Companies Law, in another manner or distribution of benefit shares - None.
2. Change in the Company's registered or issued capital - For details regarding changes in the Company's issued capital, see Note No. 15 to Chapter C of the Periodic Report.
3. Amendment of the Company's memorandum or AOA - see Section 18 above.
4. Redemption of shares - None.
5. Early redemption of bonds - None.
6. A transaction not in accordance with market conditions, between the Corporation and a stakeholder therein, except for a transaction of the Corporation with its subsidiary - None.

19.2. Resolutions of the General Meeting passed not in accordance with directors' recommendations

None.

19.3. Resolutions of the special General Meeting

19.3.1. On February 21, 2021, the General Meeting approved the following items:

19.3.1.1. Approval of the appointments of Segi Eitan and Emanuel Avner as external directors for a term of three years, commencing on the date of approval by the Meeting;

19.3.1.2. Approval of remuneration to Segi Eitan, Emanuel Avner, Eli Gurovitz and Amikam (Ami) Shafran ("**Eligible directors**");

19.3.1.3. Approval of the inclusion of the eligible directors in the officers' insurance policy, the granting of an exemption letter and an undertaking to indemnify said eligible directors;

19.3.1.4. Approval of a material private allotment of 70,000 unlisted options to each of the eligible directors, each of which may be exercised for one ordinary Company share of NIS 0.01 par value;

19.3.1.5. Approval of remuneration to Ms. Michal Arlozorov in respect of board meetings held prior to the date of the prospectus;

For further details, see Sections 8.4 above, Section 20.4 below as well as the Company's Immediate Reports dated 17 January, 2021 and 21 February, 2021 (reference numbers: 2021-01-007195 and 2021-01-020439, respectively). The aforesaid references constitute a generalization by way of reference.

19.3.2. On July 11, 2021, the General Meeting approved the amendment of the exercise price of unregistered options granted to Segi Eitan, Emanuel Avner, Amikam (Ami Shafran) and Eli Gurovitch. For further details, see Section 8.4 above as well as the Company's Immediate Reports dated June 3, 2021 and July 12, 2021 (Reference No.: 2021-01-035272 and 2021-01-051646, respectively). The above mentioned references constitute a generalization by way of reference.

20. Regulation 29A - Company decisions

20.1. Approval of operations under Section 255 of the Companies Law: None.

20.2. Action under Section 254(a) of the Companies Law which has not been approved: None.

20.3. Exceptional transactions that require special approvals under Section 270(1) of the Companies Law: None.

20.4. Exemption, insurance or indemnification undertaking[4]

(A) On November 8, 2020, the Company's Board of Directors and the General Meeting of the Company, subject to completion of the issue of the shares offered under the prospectus and their listing on the stock exchange, approved the Company's engagement in a professional liability insurance policy for directors and officers at the Company, who serve and/or will serve at the Company from time to time and/or in companies under its control, directly and/or indirectly, and/or its subsidiaries, including its controlling shareholder and/or its affiliates in accordance with the Companies Law for the period commencing November 25, 2020 and ending November 24, 2021, with a total liability limit of up to approx. $ 15 million

[4] During the reporting period, the Company approved on an individual basis the inclusion in the insurance policy and the granting of the exemption and indemnity letters to all officers and directors whose tenure commenced during the reporting period, as specified in this Section 20.4.

(approximately NIS 51 million) per incident and up to approx. $ 19.26 million (approximately NIS 65.48) for the period, with an annual premium amounting to approx. $ 45.6 thousand (approximately NIS 155 thousand) ("**2020 Policy**").

Subsequently, on February 21, 2021, following approval by the Company's Board of Directors, the General Meeting approved the inclusion of Segi Eitan, Emanuel Avner, Eli Gurovitz and Amikam (Ami) Shafran in the Company's officers' insurance policy.

On February 21, 2021, following approval by the Company's Board of Directors, the General Meeting approved the inclusion of Segi Eitan, Emanuel Avner, Eli Gurovitz and Amikam (Ami) Shafran in the Company's officers' insurance policy. For further details, see Section 19.3 above.

On November 14, 2021, pursuant to Regulation 1B1 of the Company's regulations (Relief regarding Transactions with Stakeholders), 5760-2000, the Company's Remuneration Committee approved the Company's engagement in a professional liability insurance policy for directors and officers at the Company, who serve and/or will serve at the Company from time to time and/or in companies under its control, directly and/or indirectly, and/or its subsidiaries, according to Companies Law for a period of 12 months commencing November 25, 2021 and ending November 24, 2022, with a total liability limit of up to approx. $ 15 million per incident and up to approx. $ 19.26 million for the period, with an annual premium amounting to approx. $ 49 thousand ("**2021 Policy**").

The 2021 policy also includes coverage for the Company itself for securities lawsuits (Entity Cover) and the Payment Priority Appendix for officers and directors (Order of Payments). It should be noted that in accordance with the Securities Authority's position[5], the Company's remuneration policy includes an option to approve an increase in the cost of the insurance premium (Annual) and in the amount of deductibles, provided that they are in accordance with market conditions in such year, with the cost of the premium being set at an amount that does not materially impact the Company's profitability, its assets or liabilities.

(B) On November 8, 2020, the Company's Board of Directors and the General Meeting of the Company approved the granting of a letter of indemnity to the Company's directors and officers who serve and/or will serve from time to time at the Company, and/or companies under its control, directly and/or indirectly, and/or in subsidiaries and/or affiliated companies, including its controlling shareholder and/or its affiliates, in accordance with the wording attached as Appendix A to Chapter 8 of the prospectus.

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5 Legal Staff Position No. 101-21: Remuneration Policy (Best Practice) of the Securities Authority dated August 2020.

Subsequently, on February 21, 2021, following approval by the Company's Board of Directors, the General Meeting approved the granting of an indemnity undertaking to Segi Eitan, Emanuel Avner, Eli Gurovitz and Amikam (Ami) Shafran. For further details, see Section 19.3 above.

The maximum amount of indemnity payable by the Company to all directors and officers, cumulatively, shall not exceed 25% of the Company's equity, according to its most recent financial statements, as at the date of actual indemnity payment, plus amounts received from an insurance company in the framework of the insurance in which the Company is contracted.

The indemnity letter is adapted, inter alia, to the Streamlining Administrative Enforcement Procedures Law at the Securities Authority (Legislative Amendments) (5771), 2011 allowing the Company to indemnify its officers in connection with certain incidents related to such enforcement proceedings.

(C) On August 25, 2020, the Company's Board of Directors and the General Meeting of the Company approved the granting of a letter of exemption to all officers and directors of the Company, in an agreeable format. On November 8, 2020, the Company's Board of Directors and the General Meeting of the Company approved the granting of an exemption letter to the directors and officers of the Company, who serve and/or will serve from time to time at the Company, and/or companies under its control, directly and/or indirectly, and/or subsidiaries and/or in affiliated companies, including its controlling shareholder and/or its affiliates, in the form attached as Appendix A to Chapter 8 of the prospectus.

Subsequently, on February 21, 2021, following approval by the Company's Board of Directors, the General Meeting approved the granting of an exemption letter to Segi Eitan, Emanuel Avner, Eli Gurovitz and Amikam (Ami) Shafran. For further details, see Section 19.3 above.

21. Corporate Governance Questionnaire

Attached is a Corporate Governance Questionnaire for 2021.

Asher Levy - Chairman of the Board of Directors	Rami Reshef - CEO	Yossi Salmon - CFO

Petah Tikva, March 29, 2022.

Corporate Governance Questionnaire

In this Questionnaire please note that -

1. **The questionnaire is drawn such that a response marked "Correct" to a question constitutes a positive indication of the existence of proper corporate governance, and vice versa. A "Correct" response will be indicated in the relevant box using - √ and an "Incorrect" response marked with - X; For the avoidance of doubt it is clarified that the questionnaire is not exhaustive of all aspects of corporate governance relevant to the Corporation but merely deals with a number of aspects; For additional information (as appropriate), please review the Corporation's Current Reports;**
2. **"Reporting year" implies from 1.1.2021 to 31.12.2021;**
3. **In the event that a corporation wishes to add information that may be important to a reasonable investor in connection with its responses in the Questionnaire, it may do so as part of the Concluding Notes to the questionnaire, with reference to such being indicated in the relevant question as: "(*)";**

Independence of the Board of Directors				
			Correct	Incorrect
1.		In each reporting year, two or more external directors served in the Corporation. *This question can be answered "Correct" if the period of time in which two external directors were not serving did not exceed 90 days, as stated in Section 363A(b)(10) of the Companies Law, but in any answer (Correct/Incorrect) the period of time (days) in which two or more external directors did not serve in the reporting year (including a term of office approved retrospectively, while separating the various external directors) should be noted:* Director A: Segi Eitan, ID No. 051404457 (*); Director B: Emanuel Avner, ID No. 056524192 (*); The number of external directors serving in the Corporation as of the date of publication of this Questionnaire: 2	✓	
2.	A.	The number of[1] of independent directors[2] serving in the Corporation as of the date of publication of this Questionnaire: - 3/7	_____	_____
	B.	The number of independent directors set forth in the Company's Articles of Association: _____		

[1] In this Questionnaire "**Number**" - a given number out of the total.
[2] Including "external directors" as defined in the Companies Law.

		☒ Irrelevant (no provision has been made in the AOA).		
3.		In the reporting year, a review was conducted with the external directors (and the independent directors) which found that in the reporting year they complied with the provisions of Section 240(b) and (f) of the Companies Law regarding the lack of affiliation of external (and independent) directors serving in a corporation and the terms required for their tenure as external (or independent) director have been met -	✓	
4.		All directors who served in the Corporation during the reporting year are not subordinate[3] to the CEO, directly or indirectly (except for a director who is a representative of the employees, if such exists in the Corporation). If your answer is "Incorrect" (i.e. the director is subordinate to the CEO as stated) - the number of directors who did not meet the aforesaid restriction must be indicated: _____.	✓	
5.		All directors who announced the existence of a personal interest in the approval of a transaction on the meeting's agenda, did not attend the discussion and did not participate in such voting (except for discussion and/or voting in circumstances under Section 278(b) of the Companies Law): If your answer is "Incorrect" - Was it for the purpose of presenting a particular item in accordance with the provisions of Section 278(a) End ☐ Yes. ☐ No. The number of meetings at which such directors were present at a discussion and/or participated in the vote, except in the circumstances stated in subsection a: _____.	✓	
6.		The controlling shareholder (including its relative and/or someone on its behalf), who is not a director or other senior official in the Corporation, was not present at the meetings of the Board of Directors in the reporting year. If your answer is "Incorrect" (i.e. a controlling shareholder and/or its relative and/or someone on its behalf who is not a board member and/or a senior official in the Corporation was present at such Board meetings) - the following details regarding the additional person's attendance at such Board meetings must be stated: Identity: _____. Position: _____.	✓	

[3] The very tenure of a director of an investee corporation controlled by the Company shall not be deemed "subordinate"; Conversely, the tenure of a director in the Company serving as an officer (excluding a director) and/or an employee of a corporation controlled by the Corporation shall be deemed "subordinate" for the purpose of this question.

		Details of the affiliation to the controlling shareholder (if the person present is not the controlling shareholder): _____. Was it for the purpose of presenting a particular item: ☐ Yes No *(Mark X in the appropriate box)* Its rate of attendance[4] at Board meetings held in the reporting year for presentation of a particular item thereby: _____, other attendance: _____ ☐ Irrelevant (the Corporation has no controlling shareholder).		

Directors' competence and skills				
			Correct	**Incorrect**
7.		There are no provisions in the Corporation's Articles of Association that restrict the possibility of immediately terminating the tenure of all directors in the Corporation who are not external directors *(for this purpose - resolution by a simple majority **is not** deemed a restriction).* If your answer is "Incorrect" (i.e. such restriction exists) this must be stated -	✓	
	A.	Period of time stipulated in the AOA for a director's term of office: _____.		
	B.	The required majority set forth in the AOA for termination of a director's term of office: _____.		
	C.	A legal quorum (set in the AOA) at the General Meeting for the purpose of terminating a director's term of office: _____.		
	D.	The majority required to amend said provisions in the AOA: _____.		

[4] Whilst distinguishing between the controlling shareholder, its relative and/or someone on its behalf.

8.		The Corporation has prepared a training program for new directors, in the area of the Corporation's business and in the legal field applicable to the Corporation and directors, and has also provided a follow up program for the training of incumbent directors, adapted, inter alia, to the director's role in the Corporation. If your answer is "Correct" - indicate whether the program was activated in the reporting year: ☐ Yes ☐ No *(Mark X in the appropriate box)*		✗
9.	A.	The Corporation has determined minimum number of directors on the Board of Directors who must have accounting and financial expertise. If your answer is "Correct" - indicate the minimum number determined: 2	✓	
	B.	The number of directors who served in the Corporation as of the date of the report: 7 Those with accounting and financial qualifications: 5[5]. Those with professional qualifications: 2[6]. (*) *In the event of changes in the number of aforesaid directors in the reporting year, the lowest figure (except for a period within 60 days of the change) of directors of any type who served in the reporting year shall be provided.*	_____	_____
	C.	In each reporting year, the composition of the Board of Directors included members of both genders. If your answer is "Incorrect" - the period of time (days) in which the aforesaid was not met must be indicated: *This question can be answered "Correct" if the period in which external directors of both genders were not serving did not exceed 60 days, but in any answer (Correct/Incorrect) the period of time (days) in which external directors of both genders did not serve should be noted: _____.*	✓	
	D.	The number of directors of each gender serving on the Corporation's Board of Directors as of the date of publication of this Questionnaire-: Men: 5, Women: 2	_____	_____

[5] In accordance with the provisions of the Companies Regulations (Terms and Tests for a Director regarding Accounting and Financial Expertise and for a Director with Professional Qualifications), 5766-2005.
[6] See footnote 5 above.

Board meetings (and convening of General Meeting)									
								Correct	Incorrect
10.	A.	Number of Board meetings held during each quarter in the reporting year (excluding written resolutions passed by the Company's Board of Directors in the reporting year): First quarter: 5 Second quarter: 2 Third quarter: 3 Fourth quarter: 4						_____	_____
	B.	Next to each of the names of the directors who served in the Corporation during the reporting year, the rate[7] of its participation in the meetings of the Board of Directors (in this subsection - including meetings of the Board committees in which it is a member, and as indicated below) held during the reporting year (and in reference to its tenure) must be noted: *(Additional lines should be added according to the number of directors).*							
		Name of director	Rate of participation in **Board** meetings	Rate of participation in meetings of the **Audit Committee** (regarding a director who is a member of the committee)	Rate of participation in meetings of the **Financial Statements Review Committee** (regarding a director who is a member of the committee)	Rate of participation in meetings of the **Remuneration Committee** (regarding a director who is a member of the committee)	Rate of its participation in meetings of **other Board committees in which it is a member** (mention name of committee)		
		Asher Levy	100%	L.R.	L.R.	L.R.	100% -Strategy Committee		
		Ben Zion Landa	86%	L.R.	L.R.	L.R.	L.R.		

[7] See footnote 1 above.

		Michal Arlozorov	100%	100%	100%	100%	L.R.		
		Eli Gurovich	100%	100%	L.R.	L.R.	100% -Strategy Committee		
		Amikam (Ami) Shafran	100%	L.R.	L.R.	100%	100% -Strategy Committee		
		Segi Eitan (*)	100%	100%	100%	100%	L.R.		
		Emanuel Avner (*)	100%	100%	100%	100%	100% -Strategy Committee		
11.		In the reporting year, the Board of Directors held at least one discussion regarding the management of the Corporation's business by the CEO and its subordinates, not in their presence, the latter having been given an opportunity to express their position.						✓	

Distinguishing between the roles of the managing director and chairman of the Board				
			Correct	**Incorrect**
12.		Throughout the reporting year, a chairman of the Board was serving at the Corporation. *This question can be answered "Correct" if the period of time in which a chairman of the Board was not serving did not exceed 60 days, as stated in Section 363A.(2) of the Companies Law, but in any answer (Correct/Incorrect) the period of time (days) in which said chairman of the Board did not serve should be noted: _____.*	✓	
13.		Throughout the reporting year, a CEO served in the Corporation. *This question can be answered "Correct" if the period of time in which a CEO was not serving did not exceed 90 days, as stated in Section 363A.(6) of the Companies Law, but in any answer (Correct/Incorrect) the period of time (days) in which said CEO did not serve should be noted: _____.*	✓	
14.		In a corporation in which the chairman of the Board of Directors also serves as the Corporation's CEO and/or exercises its powers, the aforesaid doubling of tenure was approved in accordance with the provisions of Section 121(c) of the Companies Law. ☒ Irrelevant (as no such doubling of tenure exists in the Corporation).		

15.		The CEO is not a relative of the Chairman of the Board. If your answer is "Incorrect" (i.e. the CEO is a relative of the chairman of the board) -	✓	
	A.	The family relationship between the parties shall be noted: _____.	_____	_____
	B.	The tenure was approved under Section 121 (c) of the Companies Law: ☐ Yes ☐ No *(Mark X in the appropriate box)*	_____	_____
16.		A controlling shareholder or a relative does not serve as the CEO or senior officer of the Corporation, except as a director. ☐ Irrelevant (the Corporation has no controlling shareholder).	✓	

Audit Committee				
			Correct	**Incorrect**
17.		The following did not serve in the Audit Committee in the reporting year -		
	A.	The controlling shareholder or its relative. ☐ Irrelevant (the Corporation has no controlling shareholder).	✓	
	B.	Chairman of the Board.	✓	
	C.	A director employed by the Corporation or by the controlling shareholder of the Corporation or by a corporation under its control.	✓	
	D.	A director who regularly provides services to the Corporation or controlling shareholder of the Corporation or a corporation under its control.	✓	
	E.	A director whose main livelihood is a controlling shareholder. ☐ Irrelevant (the Corporation has no controlling shareholder).	✓	

18.		A person who is not entitled to be a member of an Audit Committee, including a controlling shareholder or its relative, was not present at Audit Committee meetings in the reporting year, except in accordance with the provisions of Section 115(e) of the Companies Law.	✓	
19.		The legal quorum for discussion and decision-making at all Audit Committee meetings held in the reporting year was a majority of the committee members, with most of those present being independent directors and at least one of them being an external director. If your answer is "Incorrect" - please indicate the number of meetings in which said requirement was not met: _____.	✓	
20.		In the reporting year the Audit Committee held at least one meeting in the presence of the Internal Auditor and the CPA and without the presence of Corporation officers who are not members of the committee, regarding deficiencies in the Corporation's business management.	✓	
21.		In all meetings of the Audit Committee in which a person who is not entitled to be a member of the Committee was present, it was with the approval of the Chairman of the Committee and/or at the request of the Committee (regarding the legal adviser and the Corporation Secretary who is not a controlling shareholder or its relative).	✓	
22.		In the reporting year, procedures established by the Audit Committee were in place regarding the manner in which complaints submitted by the Corporation's employees were handled in connection with deficiencies in management of the Corporation's business affairs and with regards to protection to be afforded to employees who had complained as aforesaid.	✓	
23.		The Audit Committee (and/or the Financial Statements Review Committee) was of the opinion that the scope of the Auditor's work and its fees in relation to the financial statements in the reporting year were adequate for performing a proper audit and review work.	✓	

The functions of the Financial Statements Review Committee (hereinafter - Committee) in its preliminary work for approval of the financial statements				
			Correct	**Incorrect**
24.	A.	The period of time (in days) determined by the Board of Directors as a reasonable time for submission of the Committee's recommendations prior to discussion by the Board of Directors for approval of the financial statements must be indicated: **3 days**.	_____	_____

	B.	The number of days that actually elapsed between the date of transfer of the recommendations to the Board and the date of said discussion at the Board for approval of the financial statements: First Quarter Report: - L.R. (**) Second Quarter Report: - 6 Third Quarter Report: - L.R. (**) Annual Report: - 5	_____	_____
	C.	The number of days that elapsed between the date of transfer of the draft financial statements to the directors and the date of discussion at the Board of Directors for approval of the financial statements: First Quarter Report: - L.R.(**) Second Quarter Report: - 6 Third Quarter Report: - L.R.(**) Annual Report: - 5	_____	_____
25.		The Corporation's Auditor attended all meetings of the Committee and the Board of Directors at which the Corporation's financial statements relating to the periods included in the reporting year were discussed. (***) *If your answer is "Incorrect", the participation rate must be indicated:* _____	✓	
26.		All the terms listed below were met by the Committee throughout the reporting year up until the publication of the annual report:		
	A.	The number of its members was not less than three (during the Committee's deliberations and approval of the aforesaid reports).	✓	
	B.	All the terms set forth in Section 115(b) and (c) of the Companies Law (regarding the tenure of members in an Audit Committee) were met.	✓	
	C.	The chairman of the Committee is an external director.	✓	
	D.	All its members are directors and most of its members are independent directors.	✓	
	E.	All of its members have the ability to read and understand financial statements and at least one of the independent directors has accounting and financial expertise.	✓	
	F.	Committee members provided a statement prior to their appointment.	✓	

	G.	The legal quorum for discussion and passing of resolutions in the Committee was the majority of its members, provided that most of those present were independent directors including at least one external director.	✓	
27.		If your answer is "Incorrect" regarding one or more of the subsections in this question, please state in relation to which report (Periodic/Quarterly) said term was not met and the term which was not met: _____.	_____	_____

Remuneration Committee				
			Correct	Incorrect
28.		The Committee enumerated at least three members in the reporting year, and the external directors constituted a majority therein (during the Committee's deliberations). ☐ Irrelevant (no discussion took place).	✓	
29.		The terms of office and employment of all members of the Remuneration Committee in the reporting year are in accordance with the Companies Regulations (Rules regarding Remuneration and Expenses for an External Director), 5760-2000.	✓	
30.		The following did not serve in the Remuneration Committee in the reporting year -	_____	_____
	A.	The controlling shareholder or its relative. ☐ Irrelevant (the Corporation has no controlling shareholder).	✓	
	B.	Chairman of the Board.	✓	
	C.	A director employed by the Corporation or by the controlling shareholder of the Corporation or by a corporation under its control.	✓	
	D.	A director who regularly provides services to the Corporation or controlling shareholder of the Corporation or a corporation under its control.	✓	
	E.	A director whose main livelihood is controlling shareholder. ☐ Irrelevant (the Corporation has no controlling shareholder).	✓	

31.		A controlling shareholder or its relative were not present at Remuneration Committee meetings in the reporting year, unless the Chairman of the Committee determined that any of them were required for presentation of a particular item.	✓	
32.		The Remuneration Committee and the Board of Directors did not exercise their authority under Sections 267A(c), 272(C)(3) and 272(C1)(1)(c) to approve a transaction or remuneration policy despite the opposition of the General Meeting. If your answer is "Incorrect" please indicate - The type of said transaction approved: _____ Number of times such authority was exercised in the reporting year: _____	✓	

Internal Auditor				
			Correct	Incorrect
33.		The Chairman of the Board of Directors or the Corporation's CEO is the organizational supervisor of the Corporation's Internal Auditor.	✓	
34.		The Chairman of the Board or the Audit Committee approved the work program in the reporting year. In addition, audit issues dealt with by the Internal Auditor in the reporting year must be specified: See Section 2.4.7 of the Board of Directors' report attached as Chapter B to the Periodic Report.	✓	
35.		The scope of employment of the Internal Auditor at the Corporation in the reporting year (hours[8]): See Section 2.4.9 of the Board of Directors' report attached as Chapter B to the Periodic Report.	_____	_____
36.		In the reporting year, a discussion took place (in the Audit Committee or the Board of Directors) regarding the findings of the Internal Auditor's.	✓	

[8] Including work hours performed in investee corporations and audits outside Israel, and as the case may be.

37.		The Internal Auditor is not a stakeholder in the Corporation, its relative, an auditor or anyone on its behalf, nor does it maintain material business relationships with the Corporation, a controlling shareholder therein, its relative or corporations under their control.	✓	

Transactions with stakeholders				
			Correct	Incorrect
38.		The controlling shareholder or its relative (including a company under its control) is not employed by the Corporation, nor does it provide it with management services. If your answer is "Incorrect" (i.e. the controlling shareholder or its relative is employed by the Corporation or provides it with management services) please indicate - - The number of relatives (including the controlling shareholder) employed by the Corporation as of the date of the report (including companies under their control and/or through management companies): 4. - Have said employment agreements and/or management services been approved by the organs as provided by law: ☒ Yes ☐ No (Mark X in the appropriate box) ☐ Irrelevant (the Corporation has no controlling shareholder). _____.	✓	
39.		To the best of the Corporation's knowledge, the controlling shareholder has no other business in the Corporation's area of activity (in one or more areas). If your answer is "Incorrect", please state whether a procedure has been established to delimit activities between the Corporation and its controlling shareholder: ☐ Yes	✓	

		☐ No (Mark X in the appropriate box) ☐ Irrelevant (the Corporation has no controlling shareholder).		

(*) It should be noted that on February 21, 2021, the General Meeting approved the appointment of Segi Eitan and Emanuel Avner as primary external directors in the Company, in their possessing, inter alia, accounting and financial expertise in accordance with the provisions of the Companies Regulations (Terms and Tests for a Director with Accounting and Financial Expertise and a Director with Professional Competence), 5766-2005 for a term of three years, commencing on the date of the Meeting's approval; For further details, see the Company's Immediate Reports dated January 17, 2021 and February 21, 2021 (Reference No.: 2021-01-007195 and 2021-01-020439, respectively). The above-mentioned references constitute a generalization by way of reference.

(**) As of January 1, 2021, the Company no longer meets the definition of "small corporation" in accordance with Regulation 5C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 ("**Report Regulations**") and Regulation 6C of the Securities Regulations (Details of Prospectus and Draft Prospectus - Structure and Form), 5729-1969. In accordance with Regulation 5e(c) of the Reporting Regulations, the Company announced that it would continue reporting in accordance with Regulation 5D of the Reporting Regulations, while implementing the concessions subscribed to a "small corporation", including with regards to a semi-annual reporting format, this in accordance with the Company's Board of Directors' decisions dated November 8, 2020 and May 20, 2021, and inclusive of the Company's quarterly reports dated September 30, 2021. For further details, see the Company's Immediate Report dated January 4, 2021 (Reference No.: 2021-01-001390) included herewith by way of reference;

(***) It should be noted that in light of the application of the concession regarding the semi-annual reporting format as detailed above, during the reporting year the Company held a 'discussion only' meeting in the Financial Statements Review Committee and the Board of Directors regarding the Company's reviewed and unsigned financial statements for Q1 and Q3 of the reporting year, hence the Auditor was not present at said meetings with the exception of one meeting in which it was asked to present a specific item at the request of members of the Financial Statements Review Committee;

Chairman of the Board: Asher Levy **Chairman of the Audit Committee: Segi Eitan**

Chairman of the Financial Statements Review Committee: Emanuel Avner

Chapter E - Annual Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure pursuant to Regulation 9B(a) of the Reporting Regulations for 2021

The Company's management, under the supervision of the Company's Board of Directors, is responsible for determining and maintaining adequate internal control over the Company's financial reporting and disclosure.

The members of the management in this regard are:

1. Rami Reshef - CEO;
2. Yossi Salmon - VP of Finances;

Internal control over financial reporting and disclosure includes existing controls and procedures in the Company, designed by or under the supervision of the CEO and most senior financial officer, or by the person responsible in practice for said functions, under the supervision of the Company's Board of Directors, which are intended to provide a reasonable degree of assurance regarding the reliability of the financial reporting and preparation of reports in accordance with the provisions of the law, and ensure that the information the Company is required to disclose in the reports it publishes pursuant to the provisions of the law is collected, processed, summarized and reported on the date and format prescribed by law.

Internal control includes, inter alia, controls and procedures designed to ensure that information the Company is required to disclose as aforesaid is collected and transferred to the Company's management, including the CEO and senior financial officer or those performing said functions in practice, to enable decisions to be made at the appropriate time with regards to the disclosure requirement.

Due to its structural limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that misrepresentation or omission of information in the reports will be avoided or discovered.

The Company's management, under the supervision of the Company's Board of Directors, examined and evaluated the internal control over the Company's financial reporting and its effectiveness.

Evaluating the effectiveness of the internal control over financial reporting and disclosure performed by the Company's management under the supervision of the Company's Board of

Directors included mapping and identifying the accounts and processes which the Company deems as material for the financial reporting and disclosure as well as examining the effectiveness of key controls. Internal control components included control over closing accounting periods, including drawing and preparing financial statements and disclosures, controls at the organizational level, controls on the information systems environment, and controls of highly material business processes: Revenue, procurement and inventory.

Based on evaluation of the effectiveness carried out by the management under the supervision of the Board of Directors as aforesaid, the Company's Board of Directors and management have come to the general conclusion that the internal control over financial reporting and disclosure at the Company as of December 31, 2021 is **effective**.

Managers' Statement

CEO Statement pursuant to Regulation 9B(d)(1) of the Reporting Regulations:

I, Rami Reshef, declare that:

1. I have examined the Periodic Report of Gencell Ltd. (hereinafter: "**Company**") for the year 2021 (hereinafter: "**Reports**");
2. To my knowledge, the statements do not include any misrepresentation of a material fact and do not lack a representation of a material fact necessary so that the representations included therein, in light of the circumstances in which said were included, shall not be misleading with regards to the reporting period;
3. To the best of my knowledge, the financial statements and other financial information contained in the statements adequately reflect, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods to which the reports relate;
4. I have disclosed the following to the Company's Auditor, Board of Directors and the Audit and Financial Statements Review Committees, on the basis of my most recent evaluation of the internal control over financial reporting and disclosure:
   A. Any significant deficiencies and material weaknesses in the determination or exercise of internal control over the financial reporting and disclosure that are likely to adversely affect the Company's ability to collect, process, summarize or report financial information in a manner that may cast doubt over the reliability of its financial reporting and preparation of financial statements by law; And -
   B. Any fraud, whether material or immaterial, involving the CEO or its direct subordinates or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
5. I, jointly and severally with others in the Company:
   A. Have established controls and procedures or have verified the determination and existence of controls and procedures under my supervision, designed to ensure that material information pertaining to the Company is brought to my knowledge by others in the Corporation, particularly during the period of preparing the reports; And -
   B. Have established controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, designed to reasonably ensure the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

C. Have evaluated the effectiveness of the internal control over the financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of said internal control as of the date of reporting.

None of the foregoing shall derogate from my liability or the liability of any other person, under any law.

Date: March 29, 2022

_____

Rami Reshef, CEO

Managers' Statement

Statement of Senior Financial Officer pursuant to Regulation 9B(d)(2) of the Reporting Regulations:

I, Yossi Salmon, declare that:

1. I have examined the financial statements and other financial information contained in the statements of Gencell Ltd. (hereinafter: "**Company**") for the year 2021 (hereinafter: "**Reports**");
2. To my knowledge, the statements and other financial information contained therein do not include any misrepresentation of a material fact and do not lack a representation of a material fact necessary so that the representations included therein, in light of the circumstances in which said were included, shall not be misleading with regards to the reporting period;
3. To the best of my knowledge, the financial statements and other financial information contained in the statements adequately reflect, in all material respects, the financial position, operating results and cash flows of the Company for the dates and periods to which the reports relate;
4. I have disclosed the following to the Company's Auditor, Board of Directors and the Audit and Financial Statements Review Committees, on the basis of my most recent evaluation of the internal control over financial reporting and disclosure:
   A. Any significant deficiencies and material weaknesses in the determination or exercise of internal control over the financial reporting and disclosure, insofar as it relates to the financial statements and other financial information contained therein, that are likely to adversely affect the Company's ability to collect, process, summarize or report financial information in a manner that may cast doubt over the reliability of its financial reporting and preparation of financial statements by law; And -
   B. Any fraud, whether material or immaterial, involving the CEO or its direct subordinates or involving other employees who have a significant role in the internal control over financial reporting and disclosure.
5. I, jointly and severally with others in the Company:
   A. Have established controls and procedures, or have verified the determination and existence of controls and procedures under my supervision, designed to ensure that material information pertaining to the Company is brought to my knowledge by others in the Company, particularly during the period of preparing the reports; And -
   B. Have established controls and procedures, or have verified the determination and existence of controls and procedures under our supervision, designed to reasonably ensure the

reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

C. Have evaluated the effectiveness of the internal control over the financial reporting and disclosure, insofar as it relates to the financial statements and other financial information contained therein on the date of reporting; My conclusions regarding my aforesaid evaluation were presented to the Board of Directors and management and are included in this report.

None of the foregoing shall derogate from my liability or the liability of any other person, under any law.

Date: March 29, 2022

_____

Yossi Salmon, VP of Finance