

TRANSLATED FROM HEBREW ORIGINAL

**Electreon Wireless  
2023 Annual Report**

**This English version is only for convenience purposes. In the event of any discrepancy between the Hebrew Version and this translation, the Hebrew Version shall prevail.**

**Electreon Wireless**

**2023 Annual Report**

Table of Contents

	Page
<b>Auditor's Report</b>	3
<b>Consolidated Financial Statements in New Israeli Shekels (NIS)</b>	
Consolidated Reports Regarding the Financial State of Affairs	6
Consolidated Reports Regarding the Total Loss	8
Consolidated Reports Regarding the Changes in Capital	9
Consolidated Reports Regarding Cash Flow	10 - 11
Notes to the Financial Statements	12 - 48





**Auditor's Report  
To the Shareholders of  
Electreon Wireless Ltd.**

We have audited the attached consolidated reports on the financial state of affairs of Electreon Wireless Ltd. (hereinafter - the Company) as at December 31, 2023 and 2022 and the consolidated reports on profit or loss, total loss, changes in capital and cash flows for each of the three years in the period ended on December 31 2023. These financial statements are the responsibility of the company's Board of Directors and Management Team. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing practices in Israel, including the standards laid down in the Chartered Accountants Regulations (Manner of Operation of an Auditor), 5733 - 1973. According to these standards, we are required to plan the audit and conduct it with the aim of obtaining a reasonable degree of assurance that the financial statements do not indicate a materially erroneous presentation. An audit includes a sample examination of the amounts and information in the financial statements. An audit also includes an examination of the accounting rules that were applied and of the significant estimates made by the company's Board of Directors and the Management Team, as well as an assessment of the adequacy of the presentation in the financial statements as a whole. We believe that our audit provides an adequate basis for our opinion.

In our opinion, the above consolidated financial statements adequately reflect, in all material respects, the financial state of affairs of the company and its consolidated companies as at December 31, 2023 and 2022 and the results of their operations, changes in capital and their cash flows for each of the three years in the period ending on December 31, 2023, in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Securities Regulations (Annual Financial Statements), 5770 - 2010.

We also audited, in accordance with the Auditing Standard (Israel) 911 of the Israel Institute of Certified Public Accountants "Audit of Internal Control Components on Financial Reporting" internal control components on financial reporting of the company as at December 31, 2023, and our report dated March 27, 2024, included an unqualified opinion on the effective existence of those components.

**Key Matters of the Audit**

Key matters in the audit are matters that were communicated, or were required to be communicated, to the company's Board of Directors and which, according to our professional judgment, were most significant in the audit of the consolidated financial statements for the current period. These matters include, inter alia, any matter which: (1) Relates, or is likely to relate, to material sections or disclosures in the financial statements, and (2) our discretion regarding it was challenging, subjective or particularly complex. We have determined that there are no key matters in the audit to communicate.

Tel Aviv  
March 27, 2024

Kesselman & Kesselman  
Auditors  
A member firm of PricewaterhouseCoopers International Limited



Auditor's Report  
For the Shareholders of  
**Electreon Wireless Ltd.**

**Regarding the Audit of Internal Audit Components  
Of the Financial Reporting Pursuant to  
Section 9 b (c) of the Securities Regulations  
(Periodic and Immediate Reports) 5730 - 1970**

We audited internal control components of financial reporting of Electreon Wireless Ltd. and subsidiaries (hereinafter collectively - the company) as at December 31, 2023. These control components were determined as explained in the next paragraph. The company's Board of Directors and Management Team are responsible for maintaining effective internal control over financial reporting and evaluating the effectiveness of the components of internal control of financial reporting attached to the periodic report for the above stated date. Our responsibility is to express a professional considered opinion on internal control components on the company's financial reporting based on our audit.

Internal control components of financial reporting audited by us were determined in accordance with Auditing Standard (Israel) 911 of the Israel Institute of Certified Public Accountants, "Audit of Internal Control Components of Financial Reporting" and associated amendments (hereinafter "Audit Standard (Israel) 911"). These components are: (1) Controls at the organizational level, including controls on the process of editing and closing financial reporting and general controls of information systems; (2) Controls over the procurement process; (3) Controls on the salary and options process (all these together are referred to below as the "Audited Control Components")

We conducted our audit in accordance with Auditing Standard (Israel) 911. According to this standard, we are required to plan the audit and conduct it with the aim of identifying the audited control components and obtaining a reasonable degree of assurance as to whether these control components have been effectively implemented in all material respects. Our audit included gaining an understanding of internal control of financial reporting, identifying the audited control components, assessing the risk that there is a material weakness in the audited control components, as well as examining and evaluating the effectiveness of the planning and operation of those control components based on the assessed risk. Our audit, regarding those control elements, also included the execution of such other procedures, as we deemed necessary, according to the circumstances. Our audit referred only to the audited control components, as opposed to internal control over all the essential processes in connection with the financial reporting, and therefore our opinion refers to the audited control components only. Also, our audit did not refer to mutual effects between the audited and non-audited control components and therefore, our opinion does not take into account such possible effects. We believe that our review provides an adequate basis for our professional considered opinion in the context described above.

Due to inherent limitations, internal control of financial reporting in general, and the components thereof in particular, may not prevent nor detect misrepresentation. Also, drawing conclusions about the future on the basis of any current effectiveness assessment is exposed to the risk that controls will become inappropriate due to changes in circumstances or that the extent to which the policies or procedures exist will change for the worse.

In our professional considered opinion, the company effectively maintained, in all material respects, the audited control components as at December 31, 2023.

We also audited, in accordance with generally accepted auditing practices in Israel, the company's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in



the period ending on December 31, 2023, and our report, dated March 27, 2024, included an unreserved professional considered opinion on those financial statements.

Tel Aviv  
March 27, 2024

Kesselman & Kesselman  
Auditors  
A member firm of PricewaterhouseCoopers International Limited

**Electreon Wireless Ltd.**

Consolidated Report Regarding the Financial State of Affairs

	Note	December 31	
		2023	2022
		NIS 000s	
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	5 a	53,831	67,600
Current Foreclosure of Long Term Liened Deposit	5 b	1,386	1,419
Customers		8,126	1,282
Accounts Receivables and Debit Balances	6	22,722	22,947
Assets with Respect to Right of Use	8	305	-
Assets with Respect to Contracts with Customers		60	5,678
		<u>86,430</u>	<u>98,926</u>
<b>Non Current Assets:</b>			
Long Term Liened Deposit	5 c	4,220	4,000
Long Term In Advance Expenditure	6, 11 f	28,377	33,299
Fixed Assets	7	10,135	8,914
Assets with Respect to Right of Use	8	-	1,337
		<u>42,732</u>	<u>47,550</u>
<b>Total Assets</b>		<u>129,162</u>	<u>146,476</u>
<b>Liabilities and Capital</b>			
<b>Current Liabilities:</b>			
Suppliers and Service Providers		3,915	7,594
Account Payables and Credit Balances	10	12,373	11,927
Current Foreclosures if Liabilities due to Leases	8	320	1,014
		<u>16,608</u>	<u>20,535</u>
<b>Contractual Associations and Conditional Liabilities</b>	11		
<b>Non Current Liabilities</b>			
Account Payables and Credit Balances		1,776	-
Liabilities due to Leases	8	-	307
<b>Total Liabilities</b>		<u>18,384</u>	<u>20,842</u>
<b>Capital:</b>			
Ordinary Shares, Premiums on Shares, Options and Other Funds	12	434,189	371,658
Capital Fund from the Conversion of Financial Statements of External Operations		(1,210)	344
Loss Balance		(322,201)	(246,368)
<b>Total Capital</b>		<u>110,778</u>	<u>125,634</u>
<b>Total Liabilities and Capital</b>		<u>129,162</u>	<u>146,476</u>

**Oren Ezer**  
Chairman of the Board  
of Directors and CEO

**Ronit Noam**  
External Director

**Barak Duani**  
Chief Financial Officer

Date of approval of the Financial Statements: March 27, 2024

**The attached notes constitute an integral part of these Financial Statements**

**Electreon Wireless Ltd.**

## Consolidated Reports Regarding the Total Loss

	Note	<b>For the Year Ended on December 31</b>		
		<b>2023</b>	<b>2022</b>	<b>2021</b>
		NIS 000s (with the Exception of Loss per Share Data)		
<b>Revenue</b>	13	23,097	8,650	-
<b>Cost of Revenue</b>		<u>19,598</u>	<u>7,140</u>	<u>-</u>
<b>Gross Profit</b>		3,499	1,510	-
<b>Research &amp; Development Expenditure, Net:</b>	14			
Research & Development Expenditure		53,709	58,011	43,616
Less – Participation in Research & Development Expenditure		<u>(5,177)</u>	<u>(7,499)</u>	<u>(9,306)</u>
<b>Research &amp; Development Expenditure, Net</b>		48,532	50,512	34,310
<b>Marketing and Business Development Expenditure</b>	15	20,225	21,410	14,547
<b>Administration and General Expenses</b>	16	10,651	12,368	10,263
<b>Other Expenses</b>	17	<u>2,641</u>	<u>268</u>	<u>-</u>
<b>Loss of Operations</b>		<u>78,550</u>	<u>83,048</u>	<u>59,120</u>
<b>Financing Expenditure</b>	18	536	503	1,434
<b>Financing Revenue</b>	18	<u>(3,253)</u>	<u>(969)</u>	<u>(3,008)</u>
<b>Financing Revenue, Net</b>		<u>(2,717)</u>	<u>(466)</u>	<u>(1,574)</u>
<b>Loss for the Year</b>		75,833	82,582	57,546
<b>Total Loss (Profit) Including Other for the Year</b>				
<b>Items that may be Reclassified to Profit or Loss</b>				
<b>Discrepancies from the Conversion of Financial Statements of External Operations</b>		<u>1,554</u>	<u>484</u>	<u>(1,107)</u>
<b>Total Loss for the Year</b>		<u>77,387</u>	<u>83,066</u>	<u>56,439</u>
<b>Basic and Diluted Loss Per Share (in NIS)</b>	19	<u>6.76</u>	<u>8.35</u>	<u>5.99</u>

The attached notes constitute an integral part of these Financial Statements

**Electreon Wireless Ltd.**

## Consolidated Reports Regarding Changes in Capital

	<b>Ordinary Shares, Premium on Shares, Options and Other Funds</b>	<b>Capital Fund From the Conversion of Financial Statements</b>	<b>Loss Balance</b>	<b>Total Capital</b>
<b>Balance as at January 1, 2021</b>	276,590	(279)	(106,240)	170,071
<b>Transactions During the Course of 2021</b>				
Loss for the Year	-	-	(57,546)	(57,546)
Total Other Profit for the Year – Discrepancies from the Conversion of Financial Statements of External Operations	-	1,107	-	1,107
Bonus Component in Allocating Options Capital Benefit from the Dan Transaction (See Note 11 f)	14,016	-	-	14,016
Realization of Options	28,979	-	-	28,979
	9,899	-	-	9,899
<b>Balance as at December 31, 2021</b>	329,484	828	(163,786)	166,526
<b>Transactions During the Course of 2022</b>				
Loss for the Year	-	-	(82,582)	(82,582)
Total Other Loss for the Year – Discrepancies from the Conversion of Financial Statements of External Operations	-	(484)	-	(484)
Bonus Component in Allocating Options	14,415	-	-	14,415
Realization of Options, net of Issue Expenses	27,759	-	-	27,759
<b>Balance as at December 31, 2022</b>	371,658	344	(246,368)	125,634
<b>Transactions During the Course of 2023</b>				
Loss for the Year	-	-	(75,833)	(75,833)
Total Other Loss for the Year – Discrepancies from the Conversion of Financial Statements of External Operations	-	(1,554)	-	(1,554)
Issue of Shares and Options. Less Issue Expenses (See Note 12 c)	19,815	-	-	19,815
Issue of Shares and Options. Less Issue Expenses (See Note 12 c) [sic]	34,465	-	-	34,465
Bonus Component in Allocating Options	7,465	-	-	7,465
Realization of Options	786	-	-	786
<b>Balance as at December 31, 2023</b>	434,189	(1,210)	(322,201)	110,778

The attached notes constitute an integral part of these Financial Statements

**Electreon Wireless Ltd.**  
Consolidated Reports Regarding Cash Flow

	<b>For the Year Ended on December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	NIS 000s		
<b>Cash Flow From Ongoing Operations</b>			
Net Cash Exploited for Ongoing Activities (See Appendix)	(63,389)	(76,262)	(55,806)
<b>Cash Flow from Investment Activities</b>			
Acquisition of Fixed Assets	(3,376)	(2,576)	(3,063)
Proceeds from the Realization of Fixed Assets	-	141	-
Payment of Deposits at Banking Corporations	-	-	135,000
Interest Received	712	193	3,014
Deposit to Liened Deposit Account	-	(5,000)	(31)
Net Cash Resulting from Investment Operations (Used for Investment Operations)	(2,664)	(7,242)	134,920
<b>Cash Flow from Financing Operations</b>			
Proceeds from the Realization of Options	786	28,108	9,549
Principal Payments for Leases	(1,041)	(953)	(405)
Interest Payments for Leases	(29)	(61)	(63)
Proceeds from the Issue of Shares, Less Issue Expenses	54,280	-	-
Net Cash Resulting from Investment Operations	53,996	27,094	9,081
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(12,057)	(56,410)	88,195
<b>Cash and Cash Equivalent Balance as at the Beginning of the Year</b>	67,600	124,412	35,137
<b>Profits (Losses) from Exchange Rate Discrepancies, for the Re-evaluation of Cash and Cash Equivalents, Net</b>	(1,712)	(402)	1,080
<b>Balance of Cash and Cash Equivalents as at the End of the Year</b>	53,831	67,600	124,412

**The attached notes constitute an integral part of these Financial Statements**

**Electreon Wireless Ltd.**

## Consolidated Reports Regarding Cash Flow (Continued)

	<b>For the Year Ended on December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	NIS 000s		
<b>a. Appendix to the Cash Flow Report</b>			
<b>Net Cash Used for Ongoing Operations</b>			
Loss for the Year	(75,833)	(82,582)	(57,546)
Adjustments with Respect to			
Depreciation and Impairment	2,318	1,769	1,352
Capital Loss Due to Realization of Fixed Assets	-	275	-
Impairment of Assets due to Rights of Use	1,071	1,017	423
The Benefit Component in Allocating Options and Blocked Share Units	7,465	14,415	17,597
Interest Revenue form Deposit	(899)	(231)	(3,004)
Interest Expenditure due to Leases	29	61	63
Loss (Profit) due to Exchange Rate			
Discrepancies with Respect to Cash and Cash Equivalents	(17)	(63)	16
	<u>(65,866)</u>	<u>(65,339)</u>	<u>(41,099)</u>
Changes in Operational Assets and Liabilities Items			
Increase in Customers	(6,758)	(1,282)	-
Decrease (Increase) in Accounts Receivable and Debit Balances	10,796	(17,793)	(14,034)
Increase (Decrease) in Suppliers and Other Accounts Payable	(1,561)	8,152	(673)
	<u>2,477</u>	<u>(10,923)</u>	<u>(14,707)</u>
Net Cash Exploited for Current Operations	<u>(63,389)</u>	<u>(76,262)</u>	<u>(55,806)</u>
<b>b. Information Regarding Financing Activities that are not Involved in Cash Flow</b>			
Liabilities Due to Realized Employee Options	-	-	349
Recognition of an Asset Against a Liability Due to New Leases	-	839	1,170
Capital Benefit due to the Dan Company Transaction (See Note 11 f)	-	-	25,398
	<u>-</u>	<u>839</u>	<u>26,917</u>

**The attached notes constitute an integral part of these Financial Statements**

**Note 1 - General**

- a. Electreon Wireless Ltd. (hereinafter - the company) was incorporated in Israel and its registered office is in Beit Yanai. The company operates in the research and development of technology for wireless charging of electrically powered vehicles using a coil infrastructure buried under the road.

The group operates in one single activity sector, which is the research and development of technology for wireless charging of electric vehicles using a coil infrastructure buried under the road. On March 21, 2021, approval was obtained from the Register of Companies for the statutory merger of the company with the subsidiary, Electric Road Ltd. (hereinafter - ElectroRoad) into the company and as of this date the activities of ElectroRoad are carried out in the company.

- b. The consolidated financial statements include the financial statements of the company, and of its subsidiaries, ElectReon AB (hereinafter - Electreon Sweden), ElectReon Germany GMBH (hereinafter - Electreon Germany), ElectReon Wireless, Inc. (hereinafter - Electreon USA), ElectReon Wireless France (hereinafter - Electreon France), Spearhead Investments (BIO) Ltd., all of which are fully owned by the company (hereinafter collectively - the Group).

**c. The “Swords of Iron” War**

On October 7, 2023, the “Swords of Iron” war broke out in the State of Israel (hereinafter - the war). The war led to a slowdown in business activity in the Israeli economy as a result of the closing of factories (mainly in the south and north of the country), damage to infrastructure, an impact upon shipping companies and the regular entry of goods into Israel, the recruitment of reservists for long periods of time and the evacuation of the civilian population from certain geographic areas. The war even brought with it significant consequences for Israel’s economy, including an increase in the budget deficit, a drop in stock indices and a devaluation of the Shekel. The effect of the war on the entire economy is negative and involves great uncertainty, mainly as a function of the duration and intensity of the fighting.

Thus, a protracted, multi-fronted system could have wide ranging consequences for many branches of activity and for different geographical areas of the country and be expressed, inter alia, in volatility in commodity prices, an effect upon the availability of commodities, an increase in foreign exchange rates, a decrease in the availability of personnel, limited access to local resources and payment problems in certain sectors.

As at the date of approval of the financial statements, the company’s Management Team believes that the war does not have a material effect on the company’s operations and this is in light of the assistance of employees from the subsidiaries, in place of employees who were recruited into the reserves, a certain slowdown in the rate of consuming cash intended for the wages of employees who were recruited into the reserves and noting that the financial needs of the company did not change following the war and, as at the date of approval of the financial statements, no fundraising or capital investments in the company have been stopped or delayed.

Also, the company’s research & development activities proceeded as planned, and the company’s marketing and distribution activities were not affected, inter alia, because many of the projects the company focuses on are projects outside of Israel and, in any case, many of them are long term infrastructure projects, which are not materially adversely affected by the war (and sometimes even the opposite is true).

**Note 1 – General (continuation)**

**c. The “Swords of Iron” War (continued)**

Also, the company has not yet received any warning or notification from the shipping companies it works with, regarding the continuation of the shipping procedures or an increase in their prices and, therefore, at this stage, the company does not know how to assess the impact that the war may have on these issues.

Without derogating from the above stated, the continuation of the war and / or the escalation of the security situation in Israel and / or around the world, inter alia, in light of the possible involvement of other parties in the war, may negatively affect the results of the group's operations and / or its financial state of affairs. The Management Team of the company monitors what is happening at all times and examines the options available to it in order to deal with the consequences of the war, insofar as such will be necessary.

**d. The Effects of Inflation and Interest**

In 2022, a worldwide trend of an increase in the inflation rate commenced, which was reflected both in the Israeli economy and in other markets where the company operates. In order to deal with the sharp increase in the inflation rate, various measures were taken, in Israel and internationally, which included, inter alia, a significant increase in interest rates. Following these measures, a moderation was observed in the sharp increases seen in inflation and interest rates around the world and the central banks publish cautious forecasts for a reduction in inflation and interest rates as a result, over the next few years. At the time of approval of the financial statements, the first interest rate reduction was seen in some of the world's central banks. In Israel as well, the economic trend was similar to the global one throughout most of the year, when inflation dropped from a record high of 5.4% in January 2023 to a level of 3.3% in November 2023. As part of the war on inflation, the Bank of Israel led an aggressive course of interest rate increases, from zero interest to a rate of 4.75%.

In January 2024, the Bank of Israel decided to reduce the interest rate to 4.5%. The Bank of Israel's forecast includes an estimate for a gradual interest rate reduction throughout 2024, up to a rate of 3.75% - 4% and growth at a rate of approximately 2% in 2024.

In light of the fact that the company operates in several markets around the world (including, Israel, the USA and Europe), it may be affected by changes in the inflation and interest rate environment. Inter alia, the company may be affected by the increase in the prices of raw materials due to the increase in inflation in the countries from which the company purchases raw materials and from the effects of the macroeconomic factors on employment and energy costs in these countries and in the countries where the company operates.

It should be noted that as at the date of this report, the company finances its activities mainly by using its own capital, raising capital and receiving grants, and it does not exploit lines of credit nor enter into loan agreements. As at the date of this report, the effect of the increase in interest on the company is not material. However, to the extent that the company considers receiving credit, a loan or raising debt, the interest rate in the economy will have an effect on the terms of the aforementioned financing.

**Note 2 – Basis for the Evaluation of the Financial Statements**

**a. Basis for the Presentation of the Financial Statements**

The group's consolidated financial statements for December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, comply with the International Financial Reporting Standards, which are standards and interpretations published by the International Accounting Standard Board) (hereinafter - the IFRS standards) and include the additional disclosure required by the Securities Regulations (Annual Financial Statements), 5770 - 2010.

In connection with the presentation of these financial statements, it will be noted as follows:

- 1) The principles of the accounting policy, described below, were applied consistently in relation to all the years presented, unless otherwise stated.
- 2) The financial statements were prepared in accordance with the historical cost convention.

Compiling financial statements in accordance with IFRS standards requires the use of certain material accounting estimates. It also requires the company's Management Team to exercise discretion in the process of implementing the group's accounting policy. Note 3 discloses areas where a great deal of discretion or complexity is involved, or areas where assumptions and estimates have a material impact on the financial statements. Actual results may differ materially from the estimates and assumptions used by the company's Management Team.

- 3) The group analyzes the expenses recognized in profit or loss according to a classification method based on the activity characteristic of the expenses.
- 4) The operating cycle period of the group is 12 months.
- 5) The company did not attach separate financial information to these financial statements due to the neglect of the additional information. The company fully owns Spearhead, Electron Germany, Electron USA, Electron France and Electron Sweden, and as at the date of the report on the financial position, most of the group's business activity is carried out in the company, and this activity is reflected in the consolidated financial statements of the group. Therefore, as at December 31, 2023, publication Separate financial statements will not constitute additional material information for the reasonable investor.

**Note 2 – Basis for the Evaluation of the Financial Statements (continued)**

**a. The Basis of Presentation of the Financial Statements (continued):**

6) Conversion of foreign currency balances and transactions:

a) The currency of the activity and the currency of presentation

Items included in the financial statements of each of the group companies are measured in the currency of the main economic environment in which that entity operates (hereinafter - the currency of activity). The consolidated financial statements are presented in the New Shekel (hereafter - NIS), which is the company's activity and presentation currency.

b) Transactions and Balances

Transactions in a currency different from the activity currency (hereafter – foreign currency) are converted into the activity currency using the exchange rates in effect at the time of the transactions. Exchange rate discrepancies, resulting from the settlement of such transactions and the conversion of financial assets and liabilities denominated in foreign currency according to the exchange rates at the end of the period, are credited to profit or loss. Profits and losses arising from changes in exchange rates are presented in the report on the total loss under "Financing Expenditure (Income), net".

c) Conversion of the Financial Statements of the Companies in the Group

The results and financial position of all the group companies (the currency of none of which is the currency of a hyperinflationary economy), whose currency of operation is different from the presentation currency, are converted into the presentation currency as follows:

- 1) Assets and liabilities for each statement of the financial position presented are translated according to the closing price on the date of that statement of the financial position;
- 2) Income and expenses for each profit or loss statement are converted according to the average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the exchange rates on the transaction dates. In this case, the income and expenses are converted according to the exchange rate on the transaction dates);
- 3) All exchange rate differences are recognized as part of other comprehensive income.

**b. New International Financial Reporting Standards, Amendments to Standards and New Interpretations:**

- 1) Amendments to the standards of existing standards that came into effect and are implemented by the group for reporting periods beginning on January 1, 2023:

**Note 2 – Basis for the Evaluation of the Financial Statements (continued)**

**b. New International Financial Reporting Standards, Amendments to Standards and New Interpretations: (continued)**

Amendment to International Accounting Standard 1, "Presentation of Financial Statements", on the topic of disclosure of accounting policies (Hereinafter in this section – the amendment to IAS 1)

The amendment to IAS 1 requires companies to disclose material information about their accounting policies. According to the amendment, information about the accounting policies is material if, when taken into account together with other information provided in the financial statements, it can reasonably be expected that it will influence decisions that the primary users of the financial statements make on the basis of these financial statements.

The amendment to IAS 1 even clarifies that information about the accounting policy is expected to be material if, without it, the users of the financial statements are prevented from understanding other material information in the financial statements. In addition, the amendment to IAS 1 clarifies that there is no need to disclose immaterial information about accounting policies. However, to the extent that such information is given, it must be ensured that it does not mask material information about accounting policies.

The amendment to IAS 1 was implemented by the group as part of these consolidated financial statements, commencing on January 1, 2023, and it led to the reduction and focus of the information provided regarding its accounting policy in relation to previous reports.

In addition, within these consolidated financial statements, the group integrated the information regarding the accounting policy in the specific notes, rather than presenting it in a separate note.

- 2) New standards and amendments to existing standards which are not yet in force and which the group did not choose for their early implementation:

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

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

- (1) A liability will be classified as a non-current liability if the entity has a substantive right to postpone the settlement of the liability for at least 12 months after the end of the reporting period. Also, the amendment clarifies that the entity's intention regarding the exercise of the right is not relevant for the purpose of classifying the obligation, and eliminates the reference to the existence of an unconditional right.
- (2) A material right as stipulated exists only if the entity complies with the relevant conditions on the date of the report on the financial state of affairs.
- (3) "Removal" of the obligation includes disposal by way of cash payment, other economic resources or capital instruments of the entity. However, the conversion right in respect of the convertible instrument which was classified as capital does not affect the classification of the liability in respect of the instrument.

**Note 2 – Basis for the Evaluation of the Financial Statements (continued)**

**b. New International Financial Reporting Standards, Amendments to Standards and New Interpretations: (continued)**

The amendment to IAS 1 will be applied retrospectively for annual periods beginning on or after January 1, 2024. According to the provisions of the amendment, the early implementation thereof is possible. The initial application of the amendment to IAS 1 is not expected to have a material impact on the group's consolidated financial statements.

Amendments to IAS 7, "Statement of Cash Flows" and to IFRS 7, "Financial Instruments: Disclosures" (hereinafter in this section – The Amendments)

The amendments came to clarify the characteristics of supplier financing arrangements and to require additional disclosure for these arrangements.

The disclosure requirements in the amendments are intended to assist and enable users of the financial statements to assess the effects of supplier financing arrangements on the entity's liabilities, as well as on the entity's cash flows and exposure to liquidity risk.

The amendments will be implemented for annual reporting periods beginning on or after January 1, 2024. In accordance with the provisions of the amendments, the early implementation thereof is possible as early as possible, subject to the provision of disclosure. The group is examining the implications of the above amendments on its consolidated financial statements.

**Note 3 – Material Accounting Estimates and Considerations:**

Estimates and considerations are constantly tested, and are based on past experience and other factors, including expectations regarding future events, which are considered reasonable, in light of the existing circumstances.

The group formulates estimates and assumptions regarding the future. By their very nature, it is rare that the resulting accounting estimates will be the same as the actual results. The estimates and assumptions, for which there is a significant risk of making substantial adjustments in the book value of assets and liabilities during the next fiscal year and the considerations that have a substantial impact on the implementation of the group's accounting policy, are detailed below:

1) Grants from the Innovation Authority

Government grants that relate to costs are recognized in profit or loss on a systematic basis over the periods in which the group recognizes the related costs (for which the grants are intended to provide compensation), as expenses.

Grants received from the Israel Innovation Authority, as participation in research and development carried out by the group (hereinafter – Israel Innovation Authority grants) and other government grants fall within the scope of "forgivable loans" as stated in IAS 20, "The accounting handling of government grants and disclosure regarding government assistance".

The obligations for government grants are recognized and measured in accordance with IFRS 9, "Financial Instruments", if at the time the eligibility to receive the grant is established (hereinafter – the date of eligibility) the company's Management Team reaches the conclusion that there is no reasonable assurance that the grant for which eligibility has been established (hereinafter – the grant received) will not be refunded, the group recognizes at that time a financial liability that is handled in accordance with the provisions detailed in IFRS 9 regarding financial liabilities measured at amortized cost.

**Note 3 – Material Accounting Estimates and Considerations: (continued)**

The difference between the grant received and the fair value of the stated financial liability at the time it was first recognized is handled as a government grant, which is credited to profit or loss as a reduction in research and development expenses.

In the event that, on the date of eligibility, the company's Management Team reaches the conclusion that there is reasonable assurance that the grant received will not be returned, the grant is credited, at that time, to profit or loss as a reduction in research and development expenses. If, in a subsequent period, the company's Management Team reaches the conclusion for the first time that there is no reasonable assurance that the grant received will not be returned, the group recognizes, at that time, a financial liability against profit or loss. The above stated financial liability is handled in accordance with the provisions detailed in IFRS 9 regarding financial liabilities measured at impaired cost.

Further to the above stated, the company's Management Team must examine whether there is reasonable assurance that the grant received will not be returned. Also, in a situation where, at the initial recognition date, the grant is credited to the profit and loss statement, the company's Management Team must examine whether a probability has been created at a level of reasonable confidence for the success of the project and the payment of royalties for it to the Israel Innovation Authority. As at December 31, 2023 and 2022, the group is still in the pilot program and proof of feasibility stages for a wireless charging technology for electric vehicles that it is developing, which has yet to be proven.

The group contracted with several companies in Europe, the USA and Israel to carry out experimental projects (pilot programs).

Since the system is still in the development stage, the group is of the opinion that there is no reasonable assurance that royalties will be paid to the Israel Innovation Authority beyond the commitment that the company registered for those projects (see Note 11 b).

2) Development Costs

Development costs will only be realized if the conditions specified in the above stated note have been met. The capitalization of the costs will be based on the discretion of the Management Team that indeed the group meets the conditions for capitalization.

The company periodically examines the existence of the criteria for recognizing intangible assets, and estimates that it is unable to recognize intangible assets as at December 31, 2023 and 2022, this is, inter alia, because in the company's assessment, the technical feasibility of completing the intangible asset so that it is will be available for use or sale.

3) Cooperation agreement with Dan Public Transportation Company Ltd. (hereinafter – Dan)

The company's Management Team estimates that the services received from Dan are distinct and of equal value and can be reliably assessed. Also, the group estimates that since the company's technology is in a preliminary stage and its effectiveness has not yet been proven, no additional payments are expected from Dan beyond the consideration for the preliminary state.

**Note 4 – Financial Risk Management Financial Instruments**

**Management of Financial Risks**

**a. Financial Risk Factors**

The group's operations expose it to a variety of financial risks: Currency risks, credit risks and liquidity risks. The group's overall plan for risk management focuses on the fact that the behavior of the financial markets cannot be predicted and on trying to minimize possible negative effects on the group's financial performance.

Credit risks are handled at the group level. Credit risks arise from cash and cash equivalents and deposits in banks as well as credit exposures in relation to outstanding balances as at December 31, 2023. The group does not see a significant credit risk with respect to these balances and has not yet recognized a provision for credit losses.

Exchange rate risks – the group's operations are international and are exposed to exchange rate risks arising from exposure to different currencies to the euro, the dollar and the Swedish SEK. Exchange rate risk arises from future commercial transactions and assets or liabilities denominated in foreign currency. In the group's opinion, a reasonable fluctuation in exchange rates would not have had a material impact on the reports.

Risk management is carried out by the company's CEO and CFO.

**b. Liquidity Risks**

The company is a research and development company and has not yet produced profits or positive cash flows from its current operations and its continued operation in its current format is conditional upon raising funding sources until a positive cash flow from operations is generated.

All liabilities are for one year, except for the liabilities regarding the Israel Innovation Authority, which the company expects to pay over the next few years of an amount of NIS 1,776,000.

**c. Capital Risk Management**

The group's capital risk management goals are to preserve the group's ability to continue operating as a going concern in order to provide shareholders with a return on their investment and maintain an optimal capital structure in order to reduce capital costs

**Note 5 – Cash, Cash Equivalents and Liened Deposits:**

Cash and cash equivalents include cash on hand, short term deposits in banking corporations that are not restricted by liens, the original period of which does not exceed three months from the date of investment.

Classification of cash flows from interest and dividends are in the statement of cash flows.

In the consolidated statements of cash flows, the group presents interest received as part of cash flows from investing activities and interest paid as part of cash flows from financing activities.

**a. Details by Currencies**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
	NIS 000s	
In NIS	42,196	62,395
In Foreign Currency	11,635	5,205
	<u>53,831</u>	<u>67,600</u>

**b. Short Term Liened Deposit**

As at December 31, 2023 and 2022, the company has a deposit in NIS in a banking corporation of an amount of NIS 1,386,000 and NIS 1,419,000 respectively. The deposit of an amount of NIS 1,000,000 is liened in favor of a bank guarantee for the Afikim project and the deposit of an amount of NIS 300,000 is liened in favor of a performance guarantee for the Tel Aviv - Jaffa Municipality. The liens on them are expected to end during the course of 2024.

**c. Long Term Liened Deposit**

As at December 31, 2023 and 2022, the company has a liened deposit of an amount of NIS 4,220,000 and NIS 4,000,000 respectively. The deposit is liened in favor of a bank guarantee for the Afikim project.

**Note 6 – Accounts Receivable and Credit Balances:****Other Account Receivables and Credit Balances:**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
	NIS 000s	
Value Added Tax	761	1,520
Payables with Respect to Participation in Research and Development Expenditure	-	682
* In Advance Expenditure	20,079	17,185
Advance Payments to Suppliers	1,796	3,468
Others	86	92
	<u>22,722</u>	<u>22,947</u>

\* A total of NIS 2,540,000 is attributed to advance expenses for capital compensation within the framework of the Dan agreement, see Note 11 f. The book value of the accounts receivable and the debit balances is a reasonable approximation of their fair value

**Long Term in Advance Expenses**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
	NIS 000s	
* Expenditure in Advance - Dan	22,859	22,859
In advance Expenditure due to Projects	5,443	10,060
Others	75	380
	<u>28,377</u>	<u>33,299</u>

\* Attributed to expenses in advance as part of the Dan agreement, see note 11 f.

**Note 7 – Fixed Assets**

## a. Subsequent recognition and measurement

The fixed asset is included for the first time according to the purchase cost.

Fixed assets are shown at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated according to the straight-line method, to reduce the cost of the fixed asset items to their residual value over their estimated useful life, as follows:

	<u>Years</u>
Office Furniture and Equipment	5 - 16 (Mainly 10 - 16)
Machinery and Equipment	3 - 7
Vehicles	5 - 7
Computers and Peripheral Equipment	3
Renovations to the Rented Premises	6 - 10

\* Renovations to rented premises are depreciated using the straight-line method, over the term of the lease or the estimated life of the renovations, the lesser of the two.

## b. Impairment examination

The group examines the need for a decrease in the value of non-monetary assets when there are signs as a result of events or changes in circumstances that indicate that the balance in the financial statements is not recoverable.

The amount of the recognized impairment loss is equal to the amount by which the book value of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value minus selling costs and value in use. In evaluating the value in use, the expected cash flows are capitalized according to a pre-tax discount rate that reflects the specific risks for each asset. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are charged to profit or loss.

An item of fixed assets, which has experienced a decrease in value, is examined for the purpose of identifying a possible cancellation of the decrease in value recognized for it at each date of the statement of financial position.



**Electreon Wireless Ltd.**

## Notes to the Consolidated Financial Statements

**Note 7 – Fixed Assets (Continued)**

	<b>The Cost</b>				<b>Aggregate Depreciation</b>					<b>Impaired Balance</b>	
	<b>Balance</b>	<b>Additions</b>	<b>Reductio ns</b>	<b>Balance</b>	<b>Balance</b>	<b>Additio ns</b>	<b>Reducti ons</b>	<b>Other</b>	<b>Balance</b>		
	<b>as at the beginning of the year</b>	<b>during the year</b>	<b>during the year</b>	<b>Other Changes *</b>	<b>as at the end of the year</b>	<b>as at the beginning of the year</b>	<b>during the year</b>	<b>during the year</b>	<b>Other Changes *</b>	<b>as at the end of the year</b>	<b>As at December 31 2022</b>
	<b>NIS 000s</b>										
Office Furniture and Equipment	614	459	-	-	1,073	70	80	-	-	150	923
Machinery and Equipment	1,007	1,015	(6)	17	2,033	281	353	(6)	(26)	602	1,431
Vehicles	2,820	173	(605)	(10)	2,378	650	348	(189)	-	809	1,569
Computers and Peripheral Equipment	998	280	-	1	1,279	347	365	-	(1)	711	568
Renovation to the Leased Premises	5,821	649	-	-	6,470	1,424	623	-	-	2,047	4,423
	<u>11,260</u>	<u>2,576</u>	<u>(611)</u>	<u>8</u>	<u>13,233</u>	<u>2,772</u>	<u>1,769</u>	<u>(195)</u>	<u>(27)</u>	<u>4,319</u>	<u>8,914</u>

\* The changes result from discrepancies from the conversion of financial statements of subsidiaries prepared in foreign currency.

**Note 8 – Assets and Liabilities from Leases**

The group's policy regarding leases where the group is the lessee:

The group assesses, when entering into the contract, whether the contract is a lease or whether it includes a lease. A contract is a lease or includes a lease if the contract transfers the right to control the use of an identified asset for a period of time for recompense. The Group reassesses whether a contract is a lease or whether it includes a lease only if the terms of the contract have changed.

For lease contracts that include non-lease components, such as maintenance services, related to the lease component, the Group has chosen not to separate the components, and instead handles each lease component and any non-lease components associated with it as a single lease component.

At the time of first recognition, the group recognizes a liability for a lease at the present value of the future lease payments, which include, inter alia, the exercise price of extension options that are reasonably certain to be exercised.

In parallel, the group recognizes the right of use asset at the amount of the lease liability, adjusted for any lease payments made on or before the commencement date and in addition to any initial direct costs incurred by the group.

Since the interest rate inherent in the lease cannot be easily determined, the additional interest rate of the group is used. This interest rate is the rate that the group would have been required to pay in order to borrow, for a similar period and with similar collateral, the amounts necessary to obtain an asset of similar value to a right of use asset in a similar economic environment.

After the start date of the lease, the group measures the right of use asset at cost, less accumulated depreciation and accumulated impairment losses, adjusted for any recalculation of the liability for the lease. Depreciation on the right of use asset is calculated according to the straight line method, over the estimated useful life of the leased asset or the lease term, the lesser of the two.

According to the company's estimate, the useful life of the buildings is 2 - 6 years.

Interest on the lease liability is recognized in profit or loss in each period during the lease period, of an amount that produces a fixed periodic interest rate on the remaining balance of the lease obligation



**Electreon Wireless Ltd.**

## Notes to the Consolidated Financial Statements

**Note 8 – Assets and Liabilities due to Leases (Continued)****b. Liabilities Due to Leases**

	Balance As at the beginning of the year	Additions during the course of the year	Interest Expenditure	Payments due to Leases	Other Changes **	Balance As at the end of the year	Current Foreclosures of liabilities For leases	Liabilities For long term Leases
	NIS 000s							
<b>2023:</b>								
Buildings	1,321	-	29	(1,071)	40	320	320	-
	<u>1,321</u>	<u>-</u>	<u>29</u>	<u>(1,071)</u>	<u>40</u>	<u>320</u>	<u>320</u>	<u>-</u>
<b>2022:</b>								
Buildings	1,406	839	61	(1,013)	28	1,321	1,014	307
	<u>1,406</u>	<u>839</u>	<u>61</u>	<u>(1,013)</u>	<u>28</u>	<u>1,321</u>	<u>1,014</u>	<u>307</u>

\* Including changing terms of lease contracts

\*\* The changes result from assets and liabilities for the differences from the translation of financial statements of subsidiaries prepared in foreign currency.

**Note 9 – Taxes on Income**

**a. Taxation of the Company and Subsidiary Companies**

Tax rates

The revenue of the company and its subsidiaries in Israel (with the exception of revenue that benefits from reduced tax rates in accordance with the incentive laws in Israel, see paragraph b below), is subject to corporate tax at a normal rate. The corporate tax rate that applies in Israel is 23%.

**b. Taxation of Subsidiary Companies Outside of Israel**

The subsidiaries whose place of incorporation is outside of Israel, are taxed according to the tax laws of their countries of domicile, with the exception of companies defined as a "foreign controlled company", according to the Income Tax Ordinance. The tax rate applicable to a subsidiary incorporated in Sweden in 2023 and 2022 is 20.6% and in 2021 21.4%.

The tax rate applicable to a subsidiary incorporated in Germany is 15%. The tax rate applicable to a subsidiary incorporated in France is 25%. The tax rate (federal and state) applicable to a subsidiary incorporated in the USA is 21%

**c. Losses for Tax Purposes to be Carried Forward to Future Years**

Deferred tax assets for losses for tax purposes to be carried forward to future years are recognized to the extent that the realization of the related tax benefit through the existence of future taxable income is expected. The remaining losses to be carried forward by the company as at December 31, 2023, amount to approximately NIS 72 million. The rest of the losses to be carried forward by the subsidiaries as at December 31, 2023 amount to approximately NIS 12 million. The group did not accrue deferred taxes for losses carried forward, since their utilization is not expected in the foreseeable future.

**d. Tax Assessments**

Self-assessments submitted by the company and its Israeli subsidiaries up to the 2018 fiscal year are considered final (subject to the dates of submission of the reports and the determination of the limitation period according to law).

**Note 10 – Accounts Payable and Credit Balances****Composition of Accounts Payable and Credit Balances**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
	NIS 000s	
Employees and Institutions with respect to employees	2,614	2,459
Institutions	469	713
Benefits to pay	1,395	1,925
Grants received in advance	1,557	602
Provisions for Leave and Recuperation	4,305	3,333
Aggregate Expenditure	1,828	1,986
Others	205	909
	<u>12,373</u>	<u>11,927</u>

**Note 11 – Contractual Associations and Provisional Commitments****a. Lease Agreement**

In January 2018, the group entered into a lease agreement with a third party for the floor space where its offices are located and on which the group is building facilities that will be used for continued research and development activities. According to the agreement, the original lease period is from March 1, 2018 to February 28, 2021, when the group was given the option to extend the agreement for another 3 years. The above stated option was exercised during 2021.

The monthly rent is about NIS 19,000 where as part of the agreement it is determined that the group will be exempt from rent during the first year, and during the second year will pay a reduced rent of an amount of about NIS 15,000.

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

In December 2021, the group signed another addendum to the lease agreement, as stated, for additional floor space. According to the agreement, the rental period is from February 1, 2022 to February 28, 2024. The monthly rent is approximately NIS 34,000.

In March 2024, the group signed a renewal of a lease agreement for the floor space where its offices and facilities are located, which it uses to continue its research and development activities. According to the agreement, the lease period is from March 1, 2024 to December 31, 2026, when the group was given a non-recurring option to extend the agreement for two additional years until December 31, 2028. The monthly rent is approximately NIS 95,000.

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

**Note 11 – Contractual Associations and Provisional Commitments (continued)**

**a. Lease Agreement (continued)**

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

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

The group has obligations to pay royalties to the Israel Innovation Authority. The royalties are calculated on the basis of the proceeds from the sale of products in the development of which the government participated in the form of grants.

In accordance with the above stated conditions of participation, royalties will be paid to the Israel Innovation Authority at the rate of 3% of the sales amount of the products in the development of which the Israel Innovation Authority participated in the first three years, from the date the reimbursement began, 3.5% of the sales amount beginning in the fourth year until full repayment of the amount of the grant received by the group, linked to the dollar, plus annual interest equal to the LIBOR rate.

Regarding the replacement of the LIBOR index interest rate – although the Israel Innovation Authority has not determined an alternative index interest rate, the company does not expect that the replacement will have a material effect on its financial statements.

As at December 31, 2023, the group recognized the liability for the expected amount of receipts from the projects (see Notes 3, 10).

During 2018, shortly after the investment of Dan Public Transportation Company Ltd. (hereinafter – Dan) in the company, the company received a grant in the total amount of NIS 4.05 million.

- c. In May 2019, the Research Committee at the Israel Innovation Authority informed the company that a budget of approximately NIS 9.3 million was approved for the company, with a participation rate of 75% for the implementation of a pilot project in Tel Aviv, in collaboration with Dan

As at December 31, 2021, grants totaling NIS 4.7 million were recognized, out of the approved budget as an offset from research and development expenses in profit and loss.

In May 2019, the Swedish subsidiary signed an agreement with the Swedish Ministry of Transport for the construction of an electric road for the purpose of demonstration. The project is financed by the Swedish Ministry of Transport at an amount of approximately NIS 35 million.

On April 3, 2022, further to what was stated, the Swedish Transport Administration decided to extend the duration of the pilot. For extending the duration of the pilot, the company will receive additional funding from the Swedish Transport Administration of an amount of approximately € 2 million (about NIS 7 million).

**Note 11 – Contractual Associations and Provisional Commitments (continued)**

As at December 31, 2023, 2022, and 2021, grants totaling NIS 5.2 million, NIS 6.8 million, and NIS 9.3 million, respectively, were recognized from the approved budget as an offset from research and development expenses in profit and loss. The grants received as stated are not required in future royalty payments.

- d. On August 20, 2020, the company signed an agreement with EnBW Energie Baden-Württemberg AG (hereinafter – EnBW) under which the company will provide EnBW, at the first stage, an electric bus equipped with vehicle charging receivers, a static system of an electric road for charging the bus, as well as installation, operation and maintenance services (hereinafter – the first stage).

In the second stage, the company will provide EnBW with a dynamic electric road system developed by the company in EnBW's compound for charging the bus, as well as installation, operation and maintenance services (hereinafter – the second stage).

In the third stage, the company will provide EnBW with a dynamic electric road system developed by the company on a public road in the city of Karlsruhe, Germany, for charging the bus, as well as installation, operation and maintenance services (hereinafter – the third stage).

In the year that ended on December 31, 2021, the company delivered the electric bus and delivered the first and second stages to EnBW as stated. For the year that ended on December 31, 2022, the company recognized income from the agreement for the first and second stages.

- e. On October 30, 2020, the company entered into an agreement with Societa' di Progetto Brebemi S.p.A in Italy (hereinafter – Brebemi), to carry out a pilot program that includes the construction and testing of a wireless electric road of a length of one kilometer in the Brebemi complex.

The company handed over the wireless electric road to Barbami as stated. In the year that ended on December 31, 2023, the company recognized income of an amount of approximately NIS 500,000.

- f. On October 4, 2021, the company and Dan entered into an agreement in principle for collaboration (hereinafter in this section – the agreement), according to which the company will work to install the wireless charging system, resulting from its development activities, at public transport terminals and on electric buses used by Dan and its subsidiaries (hereinafter – the project; Dan and its subsidiary companies will be called together in this section - Dan).

With the receipt of the necessary approvals and the establishment of the company's wireless charging system, Dan will be able to use it for the purpose of charging electrically driven buses against the payment of monthly usage fees to the company. For Dan's use of the system (and all its various components), the maintenance thereof and in accordance with the stages established in the agreement, Dan will pay the company a fixed monthly amount of NIS 2,500 for each bus (not including the cost of electricity which will be paid by Dan directly to the electric company) in 60 equal monthly installments, starting from the date of completion of the installation of each system in the terminal.

**Note 11 – Contractual Associations and Provisional Commitments (continued)**

Following are the main points of the agreement:

1. The company will act, at its own risk and expense, to establish, operate and maintain the wireless electric charging system it has developed, which will also include a user identification system (for the purpose of billing according to the user's identity) and the management of the energy and charging system at the public transport terminals that Dan uses, and this in accordance to the stages and locations specified in the agreement.
2. Subject to the completion of the procurement procedures for the electric buses by Dan and according to Dan's choice and direction, the company will install the system component required for wireless charging on Dan's electric buses, in order to allow the buses to be charged using the system, in a number of stages, subject to obtaining the required approvals for each stage and subject to complying with standards to be determined between the parties.
3. The agreement will be carried out in stages, where in the first stage, the pilot program stage, the company will conduct the first installation of the system on a defined part of the area of a public transport terminal, where there is a possibility, in terms of the existing electrical infrastructure, for the immediate installation of the system to the extent that allows the simultaneous charging of approximately 14 buses (hereinafter – the preliminary stage).

As part of the company's development efforts and for the purposes of establishing the technological feasibility of the company's wireless charging system, Dan has committed to operate the buses for at least 8 hours a day, for a period of 5 years, during which Dan will provide the company, inter alia, immediate access (on-line) to system performance data.

In exchange for the activation of the above stated first stage and for the willingness to collaborate with the company in presenting the project to bus fleet operators around the world, the company allocated 130,000 blocked shares to Dan and 100,000 options (see Note 13 c).

The maturing of the blocked shares and the options are not conditional upon the success of the first stage or Dan's agreement to move to the subsequent, commercial stages of the agreement.

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

From this amount, the total fair value for receiving the services from Dan at the first stage, estimated at approximately NIS 25.4 million, will be deferred and will be recognized as research and development expenses commencing from the start of the operation of the buses and over 5 years – the period of operation of the buses, in accordance with the agreement. A total of NIS 22.9 million is classified in the report on the financial state of affairs for December 31, 2023 and 2022, under non-current assets, and the balance under current assets.

**Note 11 – Contractual Associations and Provisional Commitments (continued)**

4. Since the company's technology is in a preliminary stage and the effectiveness thereof has not yet been proven, and since Dan has the right not to proceed to the next stages of the agreement, for whatever reason, the company reached the conclusion that, beyond the compensation it is guaranteed for the first stage, it does not expect, at this stage, any additional compensation from Dan.

Therefore, the difference in which the fair value of the capital instruments increased minus the guaranteed consideration for the first stage, which is a total of approximately NIS 3.6 million, was recognized as an expense in 2021 in the statement of profit and loss in the marketing and business development expenses section (see Note 15).

5. After the first stage and subject to the success thereof and in accordance with Dan's exclusive decision, the company will act to install the system at additional terminals in the Gush Dan area and the southern district, which will allow charging of up to 186 additional buses in accordance with the business model of "Charging as a Service" (CaaS).
- g. On February 1, 2022, the group announced its winning of the tender for the establishment of a wireless charging demonstration project which will include the layout of a wireless charging road of a length of about 1.6 km. and static stations for wireless charging, in Michigan, which is expected to be activated during 2023, in the district of the city of Detroit, which also serves as the central district of the innovation in transportation of the Ford company.

The scope of financing for the project is estimated at \$1.9 million. In the year that ended on December 31, 2023, the installation of the first part of the dynamic segment was carried out and revenue of about NIS 2.1 million (about \$ 600,000 dollars), generated, was recognized

- h. On February 1, 2022, the group announced entering into an agreement for joint research with the University of Utah, under which the company will deploy a dynamic wireless electric road on the premises of the University of Utah in order to demonstrate the viability and readiness for commercialization of the company's technology.
- i. On May 12, 2022, the group entered into an agreement with Electra Afikim Ltd. (hereinafter - Afikim), in an agreement to install a wireless charging infrastructure for 30 buses and provide support, operation and software services for the charging infrastructure for 10 years (hereinafter in this section - the agreement). In exchange for the services, Afikim will pay, to the company, a total of approximately NIS 6.5 million, which will be paid subject to the transfer of the proceeds from the Ministry of Transport and Road Safety (hereinafter - the Ministry of Transport) to Afikim. In accordance with the agreement, the company provided a performance guarantee for which it paid a deposit of an amount of NIS 5 million, which will decrease each year by approximately NIS 1 million until the fifth year, from which the amount of the deposit will be NIS 1 million until the conclusion of the agreement.

The group commenced the installation of the electrical infrastructure during May 2023, and the first buses that were supposed to serve the project were sent from China and arrived in Israel during October 2023.

On November 21, 2023, the company successfully handed over the project to Electra Afikim, it being ready and approved for use.

**Note 11 – Contractual Associations and Provisional Commitments (continued)**

In the year that ended on December 31, 2023, the company recognized revenue of an amount of approximately NIS 5.7 million. The remaining revenue for the project (approximately NIS 800,000) will be recognized throughout the period of providing the software, operation and maintenance services.

- j. On August 4, 2022, the group announced its participation in the consortium selected by the German Federal Office for Economic Affairs and Climate Change to carry out the “E-MPower” project in Germany. The project will be funded by the German government for a total of € 5.7 million. From this amount, the group will receive a total of approximately € 2.1 million. In the year that ended on December 31, 2023, the company recognized revenue of an amount of approximately NIS 1.2 million (approximately € 300,000).
- k. On September 14, 2022, the group entered into another agreement with the Energie Baden-Wuttemberg AG company (“EnBW”), under which the company will deploy a system for dynamic and static wireless charging in the city of Baden-Württemberg, will sell, to the municipality, an electric bus from the Haeger company, adapted for wireless charging, and will also provide operation and maintenance services of the system for three years, for a fee of approximately € 3.2 million.

On May 5, 2023, the commercial operation of an electric bus equipped with the company’s vehicle changing receivers commenced, for the purpose of providing shuttle services to the general public for a flower exhibition held in the city. Following this, during November 2023, the company completed the extension works of the dynamic section to a length of about 1 kilometer. In the year that ended on December 31, 2023, the company recognized revenue of an amount of approximately NIS 10.3 million (approximately € 2.6 million) in respect of the agreement.

- l. On June 19, 2023, the subsidiary, Electreon Sweden, won the first tender in Norway for the design and construction of a wireless electric road in the city of Trondheim and received a consideration that is expected to amount to approximately € 700,000 (approximately NIS 2.8 million). As at December 31, 2023, the installation of the system in the project has not yet commenced.
- m. On July 11, 2023, the subsidiary company, Electreon France, won the first tender in France within the framework of the Charge As You Drive project (hereinafter in this section – the project) in return for a consideration of approximately € 3.5 million (approximately NIS 14.2 million). During January 2024, the members of the consortium signed an agreement to carry out the project and, accordingly, the company began to carry out procurement and development operations for the purpose of realizing the project.
- n. On July 31, 2023, the subsidiary, Electreon Germany, was awarded another project in Germany - the EMADI project - for the construction of an electric road and the implementation and validation of the technology for measuring and billing wireless charging in a moving or parked vehicle.

For Electreon Germany’s share in the project, Electreon Germany is expected to receive proceeds of approximately € 0.6 million Euros (approximately NIS 2.3 million) and the balance is subject to the final summations that will be reached between the members of the consortium. The consortium agreement was signed during January 2024.

**Note 12 - Equity****a. Composition of the Share Capital**

	December 31, 2023		December 31, 2022	
	Registered	Issued and Paid Up	Registered	Issued and Paid Up
	Qty. of Shares in Thousands		Qty. of Shares in Thousands	
Ordinary Shares of no Face Value	20,000	11,217	20,000	9,999

The ordinary shares give their owners the right to vote and participate in the shareholders' meetings of the company, the right to receive profits and the right to participate in the surplus property during the liquidation of the company with one vote.

**b. Share Based Payments**

The company grants, from time to time, capital instruments of the company in exchange for receiving services from employees, office holders and service providers. The fair value of the services received in exchange for the allocation of the options is recognized as an expense in the profit and loss account. The total amount charged as an expense in the profit and loss account is determined with reference to the fair value of the options granted.

The total expense is recognized during the maturing period, which is the period in which it is required to meet all the conditions defined for the maturing of the share-based payment arrangement. On each financial statement date, the group updates its estimate regarding the number of options expected to mature, and acknowledges the effect of the change compared to the original estimates, if any, in the profit and loss account, and a corresponding adjustment in capital.

Following are data on the allocation of options:

- 1) On June 22, 2020, the company's Board of Directors approved the allocation of 19,653 options to the company's employees. The warrants will mature over 4 years from the date of allocation – 25% will mature after one year and the balance will mature in quarterly installments over 3 additional years.
- 2) On August 27, 2020, the company's Board of Directors approved (for officers – after the recommendation of the Compensation Committee), the allocation of 44,601 options to the company's employees and to an officer. The warrants will mature over 4 years from the date of allocation – 25% will mature after one year and the balance will mature in quarterly installments over 3 additional years.
- 3) On March 8, 2021, the shareholders meeting of the company approved the allocation of 11,400 options to 4 directors of the company. The options will mature over 4 years from the date of allocation – 25% will mature after one year and the balance – in quarterly installments over 3 additional years.
- 4) On May 30, 2021, the company's Board of Directors approved the allocation of 72,005 options to 18 employees of the company. The options will mature over 4 years from the date of allocation - 25% after one year and the balance in quarterly installments over 3 additional years.

**Note 12 – Equity (continued)****b. Share Based Payments (continued)**

- 5) On August 26, 2021, the company's Board of Directors (with respect to officers – in the wake of the recommendation by the Compensation Committee) approved the allocation of 58,857 options to the company's employees and officers. The options will mature over 4 years from the date of allocation – 25% after one year and the balance in quarterly installments over an additional 3 years. The company's Board of Directors also approved the allocation of 40,000 options to the company's employees, which will mature over 4 years from the date of their grant, in quarterly installments.
- 6) On October 4, 2021, as part of the agreement described in Note 12 f, the company's Board of Directors approved the allocation to Dan of 100,000 unlisted for trading options, the conversion to 100,000 ordinary shares without par value and 130,000 restricted shares. The options will be exercisable starting from a period of 12 months from the date of allocation (hereinafter – the blocking period), when, at the end of the blocking period, the options will be exercisable at any time for a period of three years from the blocking date (hereinafter – the exercise period). The blocking period of the shares is 12 months from the date the company entered into the agreement, when, starting from the date of allocation, they will be equal in their rights in all respects to the company's ordinary shares.
- 7) On November 9, 2021, the company's Board of Directors approved the allocation of 50,000 options to the company's service provider. The options will mature over two years from the date of allocation – 25% after 6 months and the balance in 3 equal installments every 6 months thereafter, provided that the offeree is a service provider of the company at the time of qualifying.
- 8) On November 29, 2021, the company's Board of Directors approved the allocation of 23,879 options to 10 employees of the company. The options will mature over 4 years from the date of allocation – 25% after one year and the balance in quarterly installments over 3 additional years.
- 9) On January 17, 2022, the company's Board of Directors approved the allocation of 10,000 options to the company's service provider. All options will mature after one year from the date of their being granted.
- 10) On April 26, 2022, the company's Board of Directors approved the allocation of 25,500 options to 14 employees of the company. The options will mature over 4 years from the date they were granted – 25 % after one year and the balance in quarterly installments over 3 additional years.
- 11) On August 30, 2022, the company's Board of Directors approved (for officers – in the wake of the recommendation by the Compensation Committee) the allocation of 31,650 options to 13 company employees and an officer. The options will mature over 4 years from the date of allocation – 25 % after one year and the balance in quarterly installments over 3 additional years.
- 12) On September 9, 2022, the company's Board of Directors approved the allocation of 50,000 options to the company's service provider. The options will mature over 4 years from the date of allocation – 11,400 options will mature on the date of allocation, and the balance in quarterly installments over 3 years.

**Note 12 – Equity (continued)****b. Share Based Payments (continued)**

- 13) On September 11, 2022, the company's Board of Directors approved the allocation of 1,000 options to an employee of the company. The options will mature over 4 years from the date of allocation – 25% after one year and the balance in quarterly installments over 3 additional years.
- 14) On November 23, 2022, the company's Board of Directors (regarding an officer – in the wake of the recommendation by the Compensation Committee) approved the allocation of 16,600 options to 9 company employees and an officer. The options will mature over 4 years from the date of allocation – 25% after one year and the balance in quarterly installments over 3 additional years.
- 15) On March 28, 2023, the company's Board of Directors approved (for officers – in the wake of the recommendation by the Compensation Committee) the allocation of 24,350 options to 20 company employees and 3 officers. The options will mature over 4 years from the date of allocation – 25% after one year and the balance in quarterly installments over 3 additional years.
- 16) On March 28, 2023, the company's Board of Directors approved the allocation of 8,750 options to the company's service provider. The options will mature over two years from the date of allocation – 4,375 options will mature on the date of allocation, and the balance in quarterly installments over two years.
- 17) On November 15, 2023, the company's Board of Directors approved the allocation of 26,200 options to 20 company employees. The options will mature over 4 years from the date of allocation – 25% after one year and the balance in quarterly installments over 3 additional years.
- 18) The value of the benefit is gauged at the time of allocation with reference to the fair value of the allocated equity instruments described above (warrant options). The economic value is calculated according to the Black and Scholes formula and is based on the following assumptions:

	<b>For the Year Ended on December 31</b>	
	<b>2023</b>	<b>2022</b>
Expected Dividend	0%	0%
Standard Deviation – Share Fluctuation *	76% - 79%	76% - 79%
Risk Free Interest	0.8% - 4.5%	0.8% - 3.1%
Expected life span	5 - 7 Years	5 - 7 Years
Realization supplement – NIS	40-258.6	48.02-168.0

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

The movement in the number of options and the weighted averages of their exercise prices are as follows:

**Note 12 – Equity (continued)****b. Share Based Payments (continued)**

	For the Year Ended on December 31					
	2023		2022		2021	
	No. of Options	Weighted Average of Realization Price NIS	No. of Options	Weighted Average of Realization Price NIS	No. of Options	Weighted Average of Realization Price NIS
In Circulation as at the Beginning of the Year	1,700,918	52.9	1,749,118	50.6	1,344,226	20.6
Issued	59,300	61.46	134,750	90.9	486,141	131.8
Foreclosed / Expired	55,895	124.37	52,950	205.7	17,504	210.9
Realized *	7,755	72.96	130,000	0.3	63,745	20.9
In Circulation as at the End of the Year	<u>1,696,568</u>	<u>50.71</u>	<u>1,700,918</u>	<u>52.9</u>	<u>1,749,118</u>	<u>50.6</u>
Realizable as at the end of the year	<u>1,547,073</u>	<u>43.03</u>	<u>1,367,37</u>	<u>35.08</u>	<u>1,143,590</u>	<u>11.7</u>

\* The total consideration received from these realizations in the years ending December 31, 2023, 2022 and 2021 attains a total of NIS 566,000, NIS 39,000 and NIS 1,335,000 respectively.

The weighted average of the share price in the years ending December 31, 2023, 2022 and 2021 was NIS 71.5 per share, NIS 94.3 per share and NIS 207.0 per share, respectively.

Following are data regarding the exercise price and the remaining contractual life of the options in circulation at the end of the year:

2023			2022			2021		
No. of Options in Circulation as at the end of the Year	Range of Realization Prices	Weighted Average of Expected Life Span Balance	No. of Options in Circulation as at the End of the Year	Range of Realization Prices	Weighted Average of Expected Life Span Balance	No. of Options in Circulation as at the End of the Year	Range of Realization Prices	Weighted Average of Expected Life Span Balance
525,338	0.3	4	525,338	0.3	5	655,338	0.3	6
569,021	4.2-18	5	569,021	4.2-18	6	569,021	4.2-18	7
234,743	40-90.4	7	214,661	48.02-90.4	8	121,868	55.8-90.4	8
367,466	143.5-258.6	7	391,898	143.5-258.6	8	402,891	155.9-258.6	7
<u>1,696,568</u>			<u>1,700,918</u>			<u>1,749,118</u>		

The amounts of expenses recognized in the company's profit or loss statements in the years ended December 31, 2023, 2022 and 2021 for the allocation of options to employees and service providers are NIS 7,464 thousand, NIS 14,415 thousand and NIS 17,597 thousand, respectively.

The programs are conducted within the framework of rules established for this matter in section 102 of the Income Tax Ordinance (new version), 1961-5771.

**Note 12 – Equity (continued)****c. Raising Capital**

On January 15, 2023, the company's Board of Directors decided to raise capital in the amount of approximately NIS 20 million as part of a private allocation of shares and options not listed for trading. As part of the allocation, the company offered 666,667 units, which includes one share of the company's common stock and one option. Each option is exercisable for one ordinary share of the company until June 30, 2024, for NIS 35. The total proceeds from the exercise of the options, if exercised, will be NIS 23.3 million. On February 28, 2023, the fundraising was approved by the company's shareholders and, on March 5, 2023, the company completed the fundraising. In March 2023, the proceeds of the offering totaling NIS 20 million (NIS 19.8 million, excluding issuance expenses), was received.

On June 4, 2023, the company's Board of Directors decided to raise capital of an amount of approximately NIS 35 million, as part of a private allocation of shares and options not listed for trading. As part of the allocation, the company offered 538,462 units, which include one share of the company's common stock and one option. Each option is exercisable for one ordinary share of the company until June 1, 2025, for NIS 95. The total proceeds from the exercise of the warrants, if exercised, will be approximately NIS 51 million. On June 27, 2023, the approval of the Tel Aviv Stock Exchange Ltd. was received for the listing of the securities in a private placement. In July 2023, the proceeds from the issue were received of an amount of approximately NIS 35 million (NIS 34.5 million, excluding issuance expenses).

The movement in the number of options and the weighted averages of their exercise prices are as follows:

	For the Year Ended on December 31					
	2023		2022		2021	
	No. of Options	Weighted Average of Realization Price	No. of Options	Weighted Average of Realization Price	No. of Options	Weighted Average of Realization Price
		NIS		NIS		NIS
In circulation as at the beginning of the year	-	-	635,104	178.83	691,203	177.02
Issued	1,205,129	61.81	-	-	-	-
Expired	-	-	408,811	209.92	-	-
Realized *	6,299	35.00	226,293	122.67	56,099	156.57
In circulation as at the end of the year	<u>1,198,830</u>	<u>61.95</u>	<u>-</u>	<u>-</u>	<u>635,104</u>	<u>178.83</u>

\* The total proceeds received from these realizations in the years ending December 31, 2023, 2022 and 2021 attained a total of NIS 220,000; NIS 27.76 million (excluding a distribution fee of NIS 800,000) and NIS 8.78 million (excluding a distribution fee of NIS 200,000), respectively.

## **Note 13 – Recognition of Revenue**

### **a. Gauging Revenue**

The Group's revenues are gauged according to the amount of proceeds to which the Group expects to be entitled in exchange for the transfer of goods or services promised to the customer, excluding amounts collected for third parties, such as certain sales taxes. The revenues are presented net of value added tax or other taxes levied on the revenues.

The group estimates the amount of proceeds to which it will be entitled in return for the transfer of the goods or services promised to the customer as part of the transaction, and includes, in the transaction price, the entire amount of the variable proceeds, or part thereof, only to the extent that it is expected at a high level that a significant cancellation in the amount of the accumulated revenues recognized will not occur when uncertainties related to the variable proceeds will become clear later. At the end of each reporting period, the group updates the estimated transaction price in order to adequately represent the circumstances existing at the end of the reporting period and the changes in circumstances during the reporting period.

The Group does not adjust the amount of the guaranteed proceeds due to the effects of a significant financing component, if the Group expects, at the time of entering into the contract, that the period between the time the customer pays for goods or services will be one year or a period shorter than one year.

### **b. Revenue Streams of the Company**

#### **1) Revenue from the Sale of Goods**

The group manufactures and sells wireless charging systems for electric vehicles (hereinafter – the system). The group recognizes income at a point in time, when the system is installed at the customer's site and confirmation is received from the customer that the system operates as defined in the sales contract.

#### **2) Revenue from the Provision of Services**

The group provides wireless charging services to the customer when present and waiting at the terminals where the system is installed. Revenues from providing services are recognized upon performance of the service, as well as for customers who have purchased the group's charging system. The group provides maintenance and operation services for the systems.

As at the date of approval of the financial statements, the group has not yet recognized revenues from the provision of services.

As at December 31, 2023 and 2022, there is a balance within the current asset balances, of an amount of NIS 60,000 and NIS 5,678,000 shown within the assets for contracts with customers.

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

**Note 14 – Research & Development Expenditure - Net**

An expense for research is recognized as an expense when incurred. Costs arising from development projects are recognized as intangible assets when the following conditions are met:

- There is technical feasibility to complete the intangible asset, so that it will be available for use;
- Management intends to complete the intangible asset and use it or sell it;
- The intangible asset can be used or sold;
- It is possible to illustrate the manner in which the intangible asset will generate expected future economic benefits;
- Appropriate resources – technical, financial and other – available to complete the development and to use the intangible asset or to sell it;
- The exit attributable to the intangible asset can be reliably measured during its development.

Other expenses for development, which do not comply with these conditions, are recognized as expenses when incurred. Development costs previously recognized as an expense are not recognized as an asset in a later period.

Until December 31, 2023, the group did not comply with the rules for capitalizing development costs as an intangible asset and, accordingly, no asset has been recognized in the financial statements so far for such costs.

**Government Grants**

Government grants relating to costs are recognized in profit or loss on a systematic basis over the periods in which the group recognizes the related costs (for which the grants are intended to provide compensation) as expenses.

Grants received from the Israel Innovation Authority, as participation in research and development carried out by the group (hereinafter –Israel Innovation Authority grants) and other government grants fall within the scope of “forgivable loans” as stated in IAS 20, “The Accounting Handling of Government Grants and Disclosure Regarding Government Assistance”.

Liabilities for government grants are recognized and measured in accordance with IFRS 9, “Financial Instruments”, if at the time of the formation of eligibility to receive the grant (hereinafter – the eligibility date) the company’s Management Team reaches the conclusion that there is no reasonable assurance that the grant for which eligibility has been established (hereinafter – the received grant) will not be returned, at that same time, the group recognizes a financial liability that is handled in accordance with the provisions detailed in IFRS 9 regarding financial liabilities gauged at impairment cost.

The difference between the grant received and the fair value of the stated financial liability at the time it was first recognized, is handled as a government grant, which is credited to profit or loss as a reduction of research and development expenses.

In the event that, on the date of eligibility, the company’s Management Team reaches the conclusion that there is reasonable assurance that the grant received will not be returned, the grant is credited, at that time, to profit or loss as a reduction of research and development expenses. Insofar as in a consecutive period, the company’s Management Team reaches the conclusion, for the first time, that there is no reasonable assurance that the grant received will not be returned, the group recognizes, at that time, a financial liability against profit or loss. The above stated financial liability is handled in accordance with the provisions detailed in IFRS 9 regarding financial liabilities gauged at impaired cost.

Following is the composition of research and development expenses, net:

**Note 14 – Research & Development Expenditure – Net (continued)**

	<b>For the Year Ended on December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	NIS 000s		
Wages and Fringe Benefits Expenses	26,489	23,689	17,499
Share Based Payments	2,961	4,764	8,246
Subcontractors and Consultants	5,226	6,551	2,973
Consumables and Materials	12,730	18,270	9,420
Depreciation	1,362	902	784
Other	4,941	3,835	4,694
	<u>53,709</u>	<u>58,011</u>	<u>43,616</u>
Less Participation in Research & Development Expenditure – See Note 11	<u>(5,177)</u>	<u>(7,499)</u>	<u>(9,306)</u>
	<u>48,532</u>	<u>50,512</u>	<u>34,310</u>

**Note 15 – Marketing and Business Development Expenditure**

	<b>For the Year Ended on December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	NIS 000s		
Wages and Fringe Benefits Expenses	10,330	8,998	4,370
Share Based Payments	4,025	8,573	4,245
Capital Benefits with respect to the Dan transaction, see Note 11 f	-	-	3,581
Professional Services	4,441	2,903	1,501
Marketing Materials	1,116	783	774
Others	313	153	76
	<u>20,225</u>	<u>21,410</u>	<u>14,547</u>

**Note 16 – Administration and General Expenses**

	<b>For the Year Ended on December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	NIS 000s		
Wages and Fringe Benefits Expenses	3,571	3,452	2,177
Share Based Payments	478	1,078	1,525
Rental and Maintenance	917	722	387
Directors Compensation	793	542	482
Professional Services	2,852	4,524	3,823
Depreciation	948	867	568
Others	1,092	1,183	1,301
	<u>10,651</u>	<u>12,368</u>	<u>10,263</u>

**Note 17 – Other Expenditure**

On the night between August 16, 2023, and August 17, 2023, a burglary occurred at the company's warehouses in Beit Yanai, during which equipment was stolen (hereinafter – the burglary event). During the burglary incident, no employees of the company were present in the premises where the burglary incident took place, and no personal injury was incurred.

In the company's estimation, the equipment stolen in the burglary incident is not expected to impact future projects to which the company has committed, including delivery dates and the quality of the systems that will be provided.

The value of the stolen equipment is approximately NIS 2.6 million and the company is involved in a process with the insurance company to receive compensation for it, in accordance with the characteristics and ceiling of the insurance held by the company. The company recorded, in its financial statements, an expense equal to the value of the stolen equipment.

**Note 18 – Financing Revenue (Expenditure)**

	<b>For the Year Ended on December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
	NIS 000s		
<b>Financing Expenditure:</b>			
To Banking Corporations	430	435	156
For Liabilities Due to Leases	30	62	64
Exchange Rate Discrepancies	-	-	1,212
Others	76	6	2
<b>Total Financing Expenditure</b>	<b>536</b>	<b>503</b>	<b>1,434</b>
<b>Financing Revenues</b>			
Interest Revenue from Deposits	(993)	(341)	(3,004)
Exchange Rate Discrepancies	(2,224)	(580)	-
Others	(36)	(48)	(4)
<b>Total Financing Revenues</b>	<b>(3,253)</b>	<b>(969)</b>	<b>(3,008)</b>
<b>Financing Revenues, net</b>	<b>(2,717)</b>	<b>(466)</b>	<b>(1,574)</b>

**Note 19 – Loss Per Share:**

The calculation of the basic loss per share is generally based on the loss attributed to the company's ordinary shares divided by the weighted average of the number of ordinary shares in circulation during the period.

In the calculation of the diluted loss per share, the weighted average of the number of shares to be issued is also added to the average of the ordinary shares, which was used for the basic calculation, assuming that all potential dilutive shares will be converted into shares. The potential shares are taken into account, as stated, only when their effect is dilutive (increases the loss per share).

**a. Basic Loss Per Share**

The basic loss per share is calculated by dividing the loss attributable to the company's common stockholders by the weighted average of the number of common shares issued.

	<b>For the Year Ended on December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Loss for the Year (in NIS 000s)	75,833	82,582	57,546
Weighted Average of the number of ordinary shares issued	11,217,719	9,891,978	9,599,851
Basic Loss per Ordinary Share (in NIS)	<b>6.76</b>	<b>8.35</b>	<b>5.99</b>

**b. Diluted Loss per Share**

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

**Note 20 – Transactions and Balances with Stakeholders and Associated Parties**

“Stakeholder” – as this term is defined in the Securities Regulations (Annual Financial Statements), 5770 - 2010.

“Associated party” – as this term is defined in IAS 24, “Associated Party Disclosures”.

The key management personnel of the company – included, together with other parties, in the definition of “associated parties” stipulated in IAS 24, include the members of senior management and the Board of Directors.

On December 9, 2020, an update to the terms of employment of the CEO and Chairman of the Board of Directors, Oren Ezer, and the Chief Scientist, Hanan Rumbek, who are officers and controlling owners of the company, were approved. Their monthly salary after the update will amount to NIS 65,000 per month (hereinafter – the updated salary).

Also, a bonus of 5 salaries from the updated salary for 2020 and 2019, were approved. On March 30, 2022, the Compensation Committee and the company’s Board of Directors approved a discretionary grant of 4 salaries from the updated salary to the Chairman of the Board and to the Chief Scientist, subject to the approval of the shareholders, which was obtained on May 19, 2022.

On December 28, 2023, the terms of employment of the CEO and Chairman of the Board, Oren Ezer, who is an officer and shareholder in the company, were approved. His monthly salary after the update will be, in the first year, a total of NIS 65,000 per month, and in the second and third years the salary will be incremented by 10% each year.

**a. Compensation for Key Personnel in the Management Team**

	For the Year Ended on December 31		
	2023	2022	2021
<b>CEO and VPs</b>		NIS 000s	
Salaries and other short term employee benefits	5,519	5,416	5,049
Severance compensation	342	352	310
Other long term benefits	-	126	90
Share based payments	896	1,023	2,341
Total	<u>6,757</u>	<u>6,917</u>	<u>7,790</u>

**b. Transactions with and Bonuses to Stakeholders and Associated Parties**

	For the Year Ended on December 31		
	2023	2022	2021
		NIS 000s	
Salaried for Officers who are Stakeholders in the Company *	1,765	2,542	2,278
No. of People to whom the benefit applies	2	2	2
Directors Compensation **	793	542	482
No. of Directors to whom the benefit applies	4	4	4

**Note 20 - Transactions and Balances with Stakeholders and Associated Parties (continued)**

\* In addition to the salary as detailed above, in the year ending December 31, 2021, the company recognized a share based payment, of an amount of NIS 40,000, for allocating options to officers who have control over the company.

On August 10, 2022, the shareholders' agreement between the former controlling shareholders of the company expired, and therefore, as of that date, there is no controlling shareholder in the company.

\*\* In addition to remuneration of directors as detailed above, the company recognized in the years ending December 31, 2023, 2022 and 2021 a share based payment of NIS 100,000; NIS, 200,000 and NIS 1.0 million, respectively, for allocating options to 4 directors, as detailed in note 13 B (3).

**c. Balances with Stakeholders and Associated Parties**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
	NIS 000s	
For salary, fringe benefits and other benefits - the balance shown in the "Accounts Payable and Credit Balances" item as part of current liabilities	<u>955</u>	<u>899</u>

**Note 21 – Events that Occurred after the Date of the Financial Statements**

- 1) On January 29, 2024, the company's Board of Directors approved the allocation of 1,500 options to the company's employee. The options will mature over 4 years from the date of allocation – 25% after one year and the balance in quarterly installments over 3 additional years.

The exercise premium for each option is NIS 77.68.

The fair value of the options was calculated using the Black and Scholes model and based on the following parameters: Risk-free interest rate of 4.50%, share price NIS 77.0, standard deviation of the share price 84% and a forecast exercise date of 7 years.

- 2) On February 24, 2024, an agreement was signed with the University of Utah, in which it was agreed that the company would build a dynamic section and static charging stations within the inland port in Utah, and also install the charging system on a Kenworth truck. The company is expected to begin the installation of the system in the fourth quarter of 2024. For this project, the company is expected to receive compensation of an amount of approximately \$2.4 million (approximately NIS 8.7 million).
- 3) On March 7, 2024, the company's shareholders' meeting, in the wake of the approval of the Compensation Committee and the company's Board of Directors, decided to approve the allocation of 26,424 options to 4 directors, this in the wake of the approval of the Compensation Committee and the company's Board of Directors from January 28 and 30, 2024.

The additional exercise of each option is NIS 81.58 and was determined on the basis of the greater of: (1) The average price of the company's stock on the stock exchange during the 30 days preceding the date of the company's Board of Directors' decision regarding the private allocation and (2) The price of the company's stock on the stock exchange at the end of the shortfall day preceding the date of the company's Board of Directors' decision regarding the private allocation

The company's share price at the end of the day preceding the date of the company's Board of Directors' decision on the private placement of January 30, 2024 was NIS 81.58. The options will mature over 3 years from the date of the allocation thereof, 33.33% at the end of one year from the date of the allocation thereof and the balance will mature in 8 equal quarterly installments thereafter, provided that the offeree serves on the company's Board of Directors at the time of maturity.

The fair value of the options was calculated using the Black and Scholes model and based on the following parameters: A risk free interest rate of 4.50%, a share price of NIS 81.58, a standard deviation of the share price of 84% and a forecast exercise date of 6.5 years.

- 4) On March 13, 2024, 83,333 options were exercised that converted to 83,333 ordinary shares of the company without interest, in exchange for an additional exercise amounting to NIS 2.9 million.
- 5) On March 20, 2024, 210,000 options were exercised, which converted to 210,000 ordinary shares of the company without interest, in exchange for an additional exercise amounting to NIS 7.4 million.

**Note 21 – Events that Occurred after the Date of the Financial Statements (continued)**

- 6) On March 25, 2024, 10,000 options were exercised, which converted to 10,000 ordinary shares of the company without interest, in exchange for an additional exercise amounting to NIS 0.35 million.
- 7) On March 26, 2024, 216,667 options were exercised that converted to 216,667 ordinary shares of the company without interest, in exchange for an additional exercise amounting to NIS 7.9 million.
- 8) On March 27, 2024, the company's Board of Directors approved the allocation of 2,750 options to 2 company employees. The options will mature over 4 years from the date of allocation – 25% after one year and the balance in quarterly installments over 3 additional years.

The exercise premium for each option is NIS 111.12. The fair value of the options was calculated using the Black and Scholes model and based on the following parameters: Risk free interest rate of 4.50%, share price NIS 113.0, standard deviation of the share price 84% and a forecast exercise date of 7 years.

---

---