**SAVOREAT LTD.**

2021 ANNUAL REPORT

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**AUDITED**

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**The accompanying audit report is a non-binding translation into English of the original audit report published in Hebrew. The version in Hebrew is the approved text.**

**AUDITORS' REPORT**

To the shareholders of

**SAVOREAT LTD.**

We have audited the accompanying statement of financial position of SavorEat Ltd. (hereinafter - the Company) as of December 31, 2021 and 2020 and the statements of comprehensive income, changes in shareholders' equity and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and the results of its operations, changes in shareholders' equity and cash flows for each of the years then ended, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Tel-Aviv, Israel
March 7, 2022

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

**SAVOREAT LTD.**

STATEMENT OF FINANCIAL POSITION

| | Note | December 31 2021 | December 31 2020 |
|---|---|---|---|
| | | NIS | |
| **Assets** | | | |
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents | 4 | 12,261,751 | 55,665,300 |
| Short-term deposits | | 30,004,000 | 82,005 |
| Other receivables | 5 | 1,976,037 | 836,656 |
| | | 44,241,788 | 56,583,961 |
| **NON-CURRENT ASSETS:** | | | |
| Property, plant and equipment, net | 6 | 512,516 | 138,348 |
| Right-of-use assets | | 475,113 | 810,488 |
| Associate accounted for using the equity method | | 850,103 | - |
| Deposits | 17 | 91,270 | 91,260 |
| **Total assets** | | 46,170,790 | 57,624,057 |
| **CURRENT LIABILITIES:** | | | |
| Accounts payable and accruals | 7 | 1,524,042 | 422,685 |
| Current maturities of lease liabilities | | 369,455 | 372,342 |
| Trade payables | | 15,430 | 635,132 |
| Related parties | 14 | - | 9,306 |
| | | 1,908,927 | 1,439,465 |
| **NON-CURRENT LIABILITIES:** | | | |
| Liability for options | 8 | 4,409,299 | 10,202,487 |
| Lease liabilities | | 168,411 | 464,005 |
| **Total liabilities** | | 6,486,637 | 12,105,957 |
| **EQUITY:** | | | |
| Ordinary share capital | 8 | 20,550 | 20,550 |
| Share premium | 8 | 57,988,971 | 57,974,201 |
| Capital reserve | 8 | 6,763,775 | 3,935,035 |
| Accumulated loss | | (25,089,143) | (16,411,686) |
| **Total equity** | | 39,684,153 | 45,518,100 |
| **Total liabilities and equity** | | 46,170,790 | 57,624,057 |

Date of approval of the financial statements: March 7, 2022.

| Oded Shoseyov | Racheli Vizman | Mira Damgian |
|---|---|---|
| **Chairman of the Board** | **CEO** | **CFO** |

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

**SAVOREAT LTD.**

STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended December 31 | |
|---|---|---|---|
| | | **2021** | **2020** |
| | | NIS | |
| **RESEARCH AND DEVELOPMENT EXPENSES**, net | 10 | (8,522,673) | (5,081,199) |
| **ADMINISTRATIVE AND GENERAL EXPENSES** | 11 | (4,527,164) | (1,044,945) |
| **MARKETING EXPENSES** | 12 | (1,926,996) | (318,452) |
| **OPERATING LOSS** | | (14,976,833) | (6,444,596) |
| **INCOME (LOSS) FROM CHANGE IN FAIR VALUE OF FINANCIAL DERIVATIVES** | | 5,723,325 | (9,277,763) |
| **FINANCE INCOME** | | 69,865 | 111,000 |
| **FINANCE EXPENSES** | | (343,917) | (679,784) |
| **DECREASE IN EQUITY INTEREST AND SHARE IN LOSSES OF ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD** | 17 | 850,103 | - |
| **LOSS BEFORE TAXES ON INCOME** | | (8,677,457) | (16,291,143) |
| **LOSS AND COMPREHENSIVE LOSS** | | (8,677,457) | (16,291,143) |
| | | | |
| **(LOSS) PER SHARE** | | | |
| **BASIC (LOSS) PER SHARE** | 13 | (4.22) | (12.66) |
| **DILUTED (LOSS) PER SHARE** | 13 | (6.80) | (12.66) |

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

**SAVOREAT LTD.**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Share capital | Share premium | Capital reserve | Accumulated loss | Total |
|---|---|---|---|---|---|
| | | | NIS | | |
| **BALANCE AS OF JANUARY 1, 2020** | 10,302 | 620,429 | - | (120,543) | 510,188 |
| **CHANGE IN 2020:** | | | | | |
| Issue of shares | 10,248 | 57,353,772 | - | - | 57,364,020 |
| Share-based payment | - | - | 3,935,035 | - | 3,935,035 |
| Loss | - | - | - | (16,291,143) | (16,291,143) |
| **BALANCE AS OF DECEMBER 31, 2020** | 20,550 | 57,974,201 | 3,935,035 | (16,411,686) | 45,518,100 |
| **CHANGE IN 2021:** | | | | | |
| Share-based payment | - | 14,770 | 2,828,740 | - | 2,843,510 |
| Loss | - | - | - | (8,677,457) | (8,677,457) |
| **BALANCE AS OF DECEMBER 31, 2021** | 20,550 | 57,988,971 | 6,763,775 | (25,089,143) | 39,684,153 |

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

**SAVOREAT LTD.**

STATEMENT OF CASH FLOWS

| | Year ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | NIS | |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net loss | (8,677,457) | (16,291,143) |
| Adjustments required to reflect cash flows from operating activities | | |
| Adjustments to income and loss items: | | |
| Depreciation and amortizations | 405,554 | 38,073 |
| Finance income | (69,865) | (111,000) |
| Finance expenses | 343,917 | 679,784 |
| Share-based payment | 2,843,510 | 3,935,035 |
| Decrease in equity interest and share in gains of associate accounted for using the equity method | (850,103) | - |
| Loss (gain) from change in fair value of financial derivatives | (5,723,325) | 9,277,763 |
| | (3,050,312) | 13,819,655 |
| Changes in operating asset and liability items: | | |
| Increase in accounts payable and accruals | 1,092,900 | 256,444 |
| Decrease (increase) in other receivables | (1,139,392) | (837,145) |
| Increase (decrease) in related parties | (9,036) | 5,209 |
| Increase (decrease) in trade payables | (619,702) | 635,132 |
| | (675,500) | 59,640 |
| Total adjustments | (3,725,812) | 13,879,295 |
| Interest paid | (32,210) | (5,622) |
| Net cash used in operating activities | (12,435,479) | (2,417,470) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Deposit created | (29,921,995) | (173,265) |
| Acquisition of property, plant and equipment | (444,347) | (143,146) |
| Net cash used in investing activities | (30,366,342) | (316,411) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds from issue of shares, net of issue costs | - | 54,088,730 |
| Issue of options | - | 4,311,014 |
| Payments of principal on leases | (298,480) | (2,088) |
| Net cash provided by (used in) financing activities | (298,480) | 58,397,656 |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (43,100,301) | 54,989,613 |
| **FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS** | (303,248) | (674,162) |
| **BALANCE OF CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR** | 55,665,300 | 675,687 |
| **BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF YEAR** | 12,261,751 | 55,665,300 |

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

## NOTE 1 - GENERAL:

**a.** SavorEat Ltd was incorporated on December 3, 2018 and commenced its operating activity in 2019. The Company did not have expenses or cash flows in 2018 and had no asset or liability balances as of December 31, 2018. The Company is active in a single operating segment which is development of technology for manufacturing and cooking meat substitutes through advanced manufacturing technology, including 3D printing. The corporate address of the Company is 4 Oppenheimer St., Rehovot, Israel. The Company is a public entity, whose shares are traded on the Tel Aviv Stock Exchange (TASE).

**b. Definitions:**

In these financial statements:

| | | |
|---|---|---|
| The Company | - | SavorEat Ltd. |
| Related parties | - | As defined by IAS 24. |
| Interested parties and controlling shareholders | - | As defined by the Israel Securities Law, 1968 and the regulations thereunder. The interested parties of the Company are Oded Shoseyov, Ido Braslavsky, Racheli Vizman, Yissum Research Development Company is the technology transfer company of the Hebrew University of Jerusalem Ltd (hereinafter: "Yissum"), Millennium Food-Tech Limited Partnership and Meitav-Dash Investment Ltd (through provident and pension funds, mutual funds and partnerships), More Investments Ltd (through provident funds and partnerships) and Psagot Investment House Ltd (through provident, pension and mutual funds, as well as partnerships) |

In December 2019, the COVID-19 pandemic broke out in the Chinese city of Wuhan, which quickly spread worldwide in early 2020, causing global economic uncertainty and distress due to mandatory shut-downs of many businesses, slower manufacturing and disruption of national and international shipments and travel (hereinafter: "COVID"). As part of the efforts to cope with COVID, most countries worldwide imposed certain restrictions on their populations, including limits on movement, gathering in the public space; caps on the numbers of employees allowed in workplaces and more. Those restrictions have had a direct impact on many industries.

Israel has experienced four waves of COVID in 2020 and 2021, following which the government imposed various measures, including lockdowns, restrictions on movement and gathering and limits on opening places of commerce. However, a large-scale vaccination campaign in Israel led to gradual and partial lifting of most restrictions. Currently, most industries in the local economy have some level of business activity, subject to certain restrictions, with the lifestyle activity occurring under the "Green Pass" guidelines.

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

However, other countries still struggle with COVID, and even currently spreading, while nations that gained certain control over the pandemic have not yet lifted the gathering and certain other restrictions on commerce and tourism.

The Company is unable to assess the full and final impact of the pandemic on its activity. However, the Company believes that the lack of ability to go back to normal, unrestricted movement and/or activity or return to social distancing (and/or working from home) and the inability to allow investors and/or potential customers, having meetings with multiple participants and/or pilot programs at supermarket chains and/or public dining places, to get an impression and/or taste the products of the Company may impact its ability to close strategic agreements, agreements with potential customers and/or to raise capital as long as the COVID pandemic restrictions continues and/or reinstated. Additionally, a return to restrictions on movement and workplaces following national and/or local government (such as instituting a lockdown) and/or a slower than expected return to full normal operations that was in place prior to the pandemic may adversely affect the research and development activity of the Company and its progress (e.g. due to delays in the provision of needed raw materials). Additionally, most expansion of the Company's business activity is expected to occur outside of Israel, and the limitations on movement to and from Israel has been constraining the Company in its efforts to create business collaborations in geographies outside of Israel.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

**a. Basis of presentation of financial statements**

The financial statements of the Company are drawn up on a cost basis subject to adjustments in respect of financial assets and liabilities presented at fair value.

The Company elected to present the statement of income using the function of expense method.

Basis of preparation of financial statements

These financial statements are prepared in compliance with International Financial Reporting Standards (hereafter – IFRS)

Additionally, these financial statements are prepared in accordance with provisions of the Securities Regulations (Annual Financial Statements), 2010.

The Equity Method

According to the equity method of accounting, the investment is initially recognized at fair value (under a valuation performed in associate) and its carrying amount varies such that the Company recognizes its share in the associate's earnings or losses from acquisition date.

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

On May 3, 2021, Egg'N'up Ltd. Was incorporated (accounted for in SavorEat accounts using the equity method) and commenced its business activity in October 2021. The Company operates in a single operating segment, which is development of technology for manufacturing and roasting of egg alternatives through advanced digital manufacturing, including 3D printing. Egg'N'up address is 4 Oppenheimer St. Rehovot. Egg'N'up is a private company.

**b. Functional and presentation currency**

The Company's functional currency and the presentation currency of the financial statements is NIS.

Foreign currency transactions, assets and liabilities

Foreign currency transactions are recorded upon initial recognition using the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency using the exchange rates at the balance sheet date. Exchange differences are recognized in the income statement under "finance income" or "finance expenses". Non-monetary assets and liabilities presented at cost are translated using exchange rates at the date of the transaction.

**c. Period of operating cycle**

The period of the Company's regular operating cycle is not more than a year. Up to 12 months.

**d. Cash and cash equivalents**

Highly-liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment are considered by the Company to be cash equivalents.

**e. Leases**

The Company as a lessee:

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

At initial recognition, the Company recognizes a lease liability at the present value of future lease payments, which include, among other things, the exercise price of extension options that are reasonably certain to be exercised. At the same time, the Company recognizes a right-of-use asset for the lease, adjusted for any lease payments made at or before the lease commencement date, less any lease incentives received and plus any initial direct costs incurred by the Company.

Payments for short-term leases and payments for leases with underlying assets that are of low value are expensed to profit or loss on the straight-line method over lease term. Short-term leases have terms of 12 months or less.

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

**f. Property, plant and equipment**

Items of property, plant and equipment are measured at cost including direct acquisition costs, less accumulated depreciation, accumulated impairment losses and excluding day-to-day servicing expenses.

Depreciation is calculated on a straight-line basis over the useful life of the asset at even annual rates as follows:

| | % |
|---|---|
| Computers | 33 |
| Furniture | 6 |
| Electronic equipment | 15 |

**g. Intangible assets**

Separately acquired intangible assets are measured on initial recognition at cost including direct acquisition costs. Contingent consideration in relation to asset acquisition is recognized as financial liability only when the consideration is contingent on future events, which are not in control of the Company. In cases where the payment of the contingent consideration is in control of the Company, the liability is recognized only on the date when a non-contingent liability is created. As to contingent consideration relating to asset acquisition and referring to future payments of licensing agreement with Yissum, see note 15. After initial recognition, intangible assets are presented at cost, less accumulated amortization and accumulated impairment losses. Costs in respect of proprietary intangible assets, except for capitalized development costs, are recognized in profit or loss as incurred.

Research and development

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

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

Other development costs that do not meet the above criteria are recognized at cost as incurred. Development costs previously recognized as an expense are not recognized as an asset on a subsequent period. As of the reporting date, the Company did not meet the conditions for development costs as mentioned and accordingly they were recognized in the statement of comprehensive income as incurred.

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

### h. Impairment of non-financial assets

The company reviews the need for impairment of the carrying amounts of non-financial assets when events or changes in the circumstances indicate that the carrying amount is not recoverable. In cases where the carrying amount of non-financial assets exceeds their recoverable amount, the assets are written down to their recoverable value. The recoverable value is the higher between the fair value less costs to sell and value in use. In estimating value in use, the expected cash flow is discounted at a pre-tax discount rate that reflects the specific risk to each asset. For an asset that does not generate independent cash flows, a recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

### i. Taxes on income

The tax results in respect of current or deferred taxes are carried to the statement of income except to the extent that the tax arises from items which are recognized directly in shareholders' equity or other comprehensive income.

1) Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date as well as adjustments required in connection with the tax liability in respect of previous years.

2) Deferred taxes

The Company recognizes deferred income tax using the liability method, in respect of temporary differences between the amounts of assets and liabilities as reported in the financial statements and those taken into account for tax purposes. The amount of deferred taxes is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for temporary differences that are tax deductible, up to the amount of the differences that are expected to be utilized in the future, against taxable income. Deferred tax assets and liabilities are set off if, and only if:

- there is a legally enforceable right to set off current tax assets and liabilities, and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either: the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

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

**j. Employee benefits liabilities:**

1) Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2) Post-employment benefits:

Defined Contribution plan is a post-employment benefits plan to the employees, under which the Company pays fixed contributions to an independent entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

The Company's liability to severance pay in respect of employees in Israel is pursuant to section 14 to the Severance Pay Law and is covered by fixed contributions to the defined contribution plans. The contributions paid are included in the statement of comprehensive loss.

The Company has employees from 2020.

**k. Earnings (loss) per share**

Earnings (loss) per share is generally calculated by dividing the net profit (loss) attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

Basic earnings per share include only shares outstanding during the period.

The potential shares are taken into account only when the effect is diluting (i.e. reducing the earnings per share).

**l. Government grants**

Government grants received from the Israel Innovation Authority in the Ministry of Economy (hereafter- the "Innovation Authority") as participation in research and development activity of the Company (hereafter- the "Innovation Authority Grants") fall into the scope of "forgivable loans" as defined in International Accounting Standard 20 – “Accounting for Government Grants and Disclosure of Government Assistance”. (hereafter – IAS 20)

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

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

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

**m. Financial instruments**

Financial assets

Financial assets within the scope of the standard are measured upon initial recognition at their fair values plus transaction costs directly attributable to the acquisition of the financial assets, except when a financial asset is measured at fair value through profit or loss for which transaction costs are recognized in profit or loss.

The Company classifies and measures the debt instruments in its financial statements using the following criteria:

(a) The Company’s business model for managing the financial assets, and
(b) The contractual cash flow characteristics of the financial asset.

The Company measures debt instruments at amortized cost when:

The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are classified as current assets, excluding maturities for a period of no more than 12 months after the date of statement of financial position, which are classified as non-current assets. As of December 31, 2020 – the Company has only financial assets at amortized cost, under "Cash and cash equivalents" and "Accounts receivables" presented in the statement of financial position. After initial recognition, instruments in that group are measured at amortized cost, under the terms thereof at cost plus direct transactions costs, using the effective interest method.

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

Additionally, an entity may, at initial recognition, irrevocably designate a debt instrument as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency, i.e. when the relating financial liability is also measured at fair value through profit or loss.

Impairment of financial assets

At each reporting date, the Company assesses the allowance for expected credit losses for financial assets that are not measured through profit or loss. The Company distinguishes between two situations of recognition of allowance for expected credit losses;

(a) Debt instruments for which the credit risk has not increased significantly since initial recognition or in cases that the debt instrument is determined to have low credit risk - an entity shall measure the loss allowance for that debt instrument at an amount equal to 12-month expected credit losses after reporting date, or;

(b) Debt instruments for which the credit risk has increased significantly since initial recognition and in cases that the debt instrument is determined to not have low credit risk - an entity shall measure the loss allowance for that debt instrument based on its lifetime.

Impairment of debt instruments measured at amortized cost shall be recognized in profit or loss against loss allowance.
As of December 31, 2020 and 2021, the Company did not recognize allowance for expected credit losses.

Derecognition of financial assets

The Company shall derecognize a financial asset when, and only when:

(a) The contractual rights to the cash flows from the financial asset expire, or
(b) The Company has transferred substantially all the risks and rewards of the financial asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the asset.
(c) The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, without material delay.

Financial liabilities

At initial recognition, an entity measures the financial liabilities within the scope of the standard at fair value net of transaction costs that are directly attributable to the issue of the financial liability, except in case that the financial liability is measured at fair value through profit or loss, for which transaction costs are recognized in profit or loss.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest method.

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

Trade payables

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

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

Derecognition of financial liabilities

The Company removes a financial liability when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.
The financial liability is extinguished when the debtor repays the liability by cash, other financial assets, goods or services or was released from any legal obligation.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the
statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. The right to offset must be legally enforceable not only in the ordinary course of business of the counterparties, but also in the event of insolvency or bankruptcy of one of the counterparties. In order for the right to offset be currently available, it must not be contingent on a future event or be applicable intermittently or events being present causing it to expire.

**n. Share capital**

Ordinary shares of the Company are classified as share capital.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

**o. Provisions**

Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The Company does not recognize provisions for future operative losses.

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

### p. Share-based payments

The Company's equity-settled, share-based compensation plans, under which the Company receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense in the income statement. The total amount to be expensed is determined by reference to the fair value of the granted equity instruments:

- including any market performance conditions (for example, the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in the assumptions used in estimating the number of options that are expected to vest. The total expense is recognized in the course of the vesting period, which is the period during which all vesting conditions of the share-based payment arrangement are to be met.

On each statement of financial position date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and recognizes the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment in equity.

## NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Innovation Authority grants

Government grants received from the Innovation Authority in the Ministry of Industry, Trade and Labor are recognized as a liability if economic benefits are expected as a result of research and development activities leading to sales that would qualify the government to royalties. There is uncertainty regarding the estimated future economic benefits as a result of research and development activities, therefore the Company did not create a liability.

Development costs capitalization

Development costs are capitalized in accordance with the accounting policy described in Note 2g. Capitalization of costs is based on management's judgment about technological and economic feasibility, which is usually achieved when a development project reaches a predefined milestone, or when the Company engages in a transaction to sell the know-how that resulted from development. In determining the amount to be capitalized, management makes assumptions as to the future anticipated cash inflows from the assets, discount rate used in the capitalization and the anticipated period of future benefits. Through the date of this report, the Company has not discounted such amounts, and research and development expenses were entirely recognized in profit or loss.

The fair value of derivatives and other financial instruments and initial recognition of investment in associate

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

The fair value of financial instruments and initial recognition of equity in an associate, which are not traded in an active market, is determined using valuation methods. The Company exercises judgements in order to select different valuation methods and make assumptions that are based mainly on existing market conditions at each statement of financial position date.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

Composed of an NIS bank account balance of NIS 3,026,047 and a US dollar bank account balance of NIS 9,235,704.

**NOTE 5 - OTHER RECEIVABLES:**

| | As of December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | **NIS** | |
| Advances to suppliers | 98,935 | 40,441 |
| Innovation Authority | 1,746,019 | 232,718 |
| Institutions | 131,083 | 563,497 |
| | 1,976,037 | 836,656 |

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:**

| | For the year ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | **NIS** | |
| **Cost:** | | |
| Balance as of January 1 | 149,555 | 6,409 |
| Additions during the year | 444,347 | 143,146 |
| Balance as of December 31 | 593,902 | 149,555 |
| **Accumulated depreciation:** | | |
| Balance as of January 1 | 11,207 | 1,081 |
| Additions during the year | 70,179 | 10,126 |
| Balance as of December 31 | 81,386 | 11,207 |
| **Depreciated cost as of December 31** | 512,516 | 138,348 |

## NOTE 7 - ACCOUNTS PAYABLE:

| | As of December 31 | |
|---|---|---|
| | 2021 | 2020 |
| | NIS | |
| Accrued expenses | 215,280 | 90,000 |
| Employees | 1,308,762 | 332,685 |
| | 1,524,042 | 422,685 |

## NOTE 8 - EQUITY:

**a. Composition of share capital:**

| | As of December 31 | |
|---|---|---|
| | Authorized | Issued and paid up |
| Ordinary shares of NIS 0.01 par value each 2021 | 100,000,000 | 20,550,043 |
| Ordinary shares of NIS 0.01 par value each 2020 | 100,000,000 | 20,550,043 |

The ordinary shares give holders the right to participate and vote in shareholders' meetings, the right to receive profits and the right to participate in surplus assets upon liquidation.

**b. Share issue during the period:**

1) On its date of incorporation, the Company issued 1,000,000 shares of NIS 0.01 par value each for no consideration.

2) On June 20, 2019 and July 10, 2019 the Company issued to two investors (together) 30,181 shares of NIS 0.01 par value each for $180,000 (NIS 645,460). That share issue created a cost of NIS 14,729.

3) On January 16, 2020, the Company issued to three shareholders (together) 36,827 shares of NIS 0.01 par value each for no consideration.

4) In 2020, the Company issued investors (together) 529,715 shares of NIS 0.01 par value each for $5.5 million. In that issue, the Company incurred costs of NIS 864,391.

5) In November 2020, in a public offering on the Tel Aviv Stock Exchange (TASE), the Company issued 458,320 shares of NIS 0.01 par value each for NIS 42.6 million. In that issue, the Company incurred costs of NIS 3 million.

**NOTE 8 - EQUITY** (continued):

6) In August 2020, the Company adopted the 2020 compensation plan for officers, employees and consultants ("**the Plan**"), which was filed to income tax authorities. Under the plan, employees, directors, officers, consultants, service providers and controlling shareholders of the Company will be allotted equity securities of the Company from time to time, and under terms to be set by the board of directors, as follows: (1) ordinary shares; (2) options taxed as equity (known as capital gains track); or (3) options taxed as work income (known as income tax track). The grant to eligible individuals would be made under the provisions of Section 102 to the Income Tax Ordinance [New Version], 1961 ("the Ordinance") under both options with or without a trustee. Those ineligible to the tax benefits under Section 102 to the Ordinance would be allotted options under Section 3(i) to the Ordinance. The term of the plan is 15 years since being adopted by a board resolution, as above. The number of options included in that plan may be revised from time to time by the board, in accordance with the provisions of the plan. The plan (as revised from time to time by the board) does not have a fixed pool of shares. The number of options granted is 152,000.

   The amount of expenses recognized in respect to employee options in profit or loss in 2021 is NIS 2,843,510.

   The following are the expiration dates and exercise prices of outstanding stock options at the end of year:

| Expiration date | Outstanding shares as of December 31, 2021 | Average exercise price (NIS) |
|---|---|---|
| 2035 | 83,434 | 6.39 |
| 2031 | 67,282 | 86.31 |
| 2024 | 1,205 | 73.71 |

   The Company uses the Black and Scholes option pricing model for valuing the options granted. The fair value of the options granted is amortized over their vesting period using the following assumptions:

| | 2021 |
|---|---|
| Dividend yield | 0% |
| Expected volatility | 93-76% |
| Risk-free interest | 0.16-0.265% |
| Expected period to exercise | 4 |

   The expected volatility is based on historical volatility of the Company's shares. The expected period to exercise of the options granted represents the period in which the options are expected to be outstanding. Risk-free interest is based on the yield curve of US treasury bonds with similar duration. The Company has not paid cash dividend since its incorporation.

**NOTE 8 - EQUITY** (continued):

7) On June 16, 2020, an investment agreement was signed between the Company and Millennium Food-Tech Limited Partnership (hereinafter: "Millennium Food-Tech"), which was amended on June 30, 2020 (hereinafter: "the Investment Agreement"). According to the Agreement, Millennium Food-Tech would invest in the Company US$1.75 million based on a fully-diluted valuation of US$7 million (hereinafter: "the Investment Amount"). This Investment will give Millennium Food-Tech about 20% of the issued share capital of the Company (subject to completing a $3.5 million financing round, in which Millennium Food-Tech invested in the Company). Millennium Food-Tech would be allotted ordinary shares of the Company. However, in case that preferred shares are allocated within a year after the date of Investment, Millennium Food-Tech would have an option to convert the shares into a new class. Notwithstanding the above, if Preferred C shares are allotted to a third party within four months from date of investment in return for raising $1 million or more at a value that is greater than that of the present transaction, the conversion of the shares under the terms of the new round would be made subject to the valuation of the transaction under the Investment Agreement will be revised to be at the average between the valuation of the new round and the valuation of the Company under the Investment Agreement and forfeiture of Millennium Food-Tech's shares, as necessary, for updating that valuation.

   It was further agreed that Millennium Food-Tech would be granted an option to make an additional investment of up to $1.75 million in the next investment round of the Company, assuming 20% on the future investment. This option would be for the earlier of a two-year period after signing date of the agreement or until the next investment round of the Company. However, in the event that no single financing round of at least $1 million takes place within the two years after the date of Investment under the Investment Agreement, this option will be extended until a single $1 million round takes place, but not for longer than three years since the date of such investment. It was agreed that according to the above timeline, the option would be fully or partially exercisable in a number of installments. Additionally, it was agreed that Millennium Food-Tech would have the right to appoint a director of the Company as long as its holdings are 10% of the issued share capital of the Company.

   On July 20, 2020, the investment transaction of Millennium Food-Tech in the Company was closed, with Millennium Food-Tech investing $1.75 million in the Company, such that its equity interest is 20%.

   On October 6, 2020, Millennium Food-Tech exercised the said option, and invested additional $750,000 in the Company against an allotment of 32,296 ordinary shares of the Company. The remaining part of the option expired.

**NOTE 8 - EQUITY** (continued):

8) On July 23, 2020, the Company engaged in an investment agreement with Mor Provident Funds Ltd and Meitav Dash Investment House Ltd (hereinafter: "**the Investors**" and "**the Investment Transaction**", respectively. According to the Investment Transaction, the Investors would make an investment in the Company in two installments, as follows:

- First installment: Investment of $950 thousand against shares of the Company at $8.97 per share, based on a pre-money Company valuation of $13 million. The Investment Transaction gave each of the investors a right to invest an additional amount, based on the amount of the first installment, in exchange of additional ordinary shares of the Company, over two years since the date of completing the transaction, but not less than a year since the date of completing the listing process. The number of shares allotted on exercising that right would be at $8.88 per share (106,984).

- Second installment: Will take place when the conditions precedent in the Investment Transaction are satisfied – i.e. meeting a milestone in the progress of developing the manufacturing process for the Company's product; an investment of $2.05 million against shares at $22.28 per share, based on a Company pre-money valuation of $35 million. In the event that the above conditions precedent are not met by the earlier of (a) November 1, 2021 and (b) publication of a prospectus by the Company in relation to a listing on a stock exchange ("the Listing" and "the Expiration Date", respectively), the second installment will immediately expire on the Expiration Date, and the Investors would not have any duty to invest the above amount of the second installment. Notwithstanding the above, if the Listing process has not been completed, the Investor would have a right to invest under the above terms even when the conditions precedent are not met.

The Investment Transaction indicated that the price per share and the number of shares allotted to the Investors in each installment would be adjusted when one or more of the events listed in the Investment Agreement and relating to a public offering by the Company and/or the valuation of the Company on the date of that offering take place. According to the above mechanism set by the Investment Agreement, on November 4, 2020, and as part of a public offering by the Company on TASE, the share price was determined under the adjustment mechanism.

Concurrently to the engagement in the Investment Transaction, the Investment Agreement between Millennium Food-Tech and the Company was amended in respect to an option that was granted to Millennium Foods, allowing it to invest in the Company an additional amount of $1.75 million in the next financing round of the Company, with an option to invest based on a price reflecting 20% of the Company's share price on that round or a 20% discount of the Company's share price as may be determined at the time of the Company's public offering on TASE. The option would be in effect until the earlier of (a) a two-year period from the original date of the Millennium Food-Tech investment in the Company, (b) the next financing round of at least $1 million by the Company, or (c) the date on which the Company completes a public offering.

**NOTE 8 - EQUITY** (continued):

It was agreed that for the purpose of the option, the amount of investment in respect to the first installment in the transaction with the Investors, including the option given under the investment agreement will not be considered as the next financing round of the Company. It was also agreed that the second installment under the Investment Agreement would be considered as a financing round for the purpose of the option. If Millennium Food-Tech exercises the option upon completion of the second installment under the Investment Agreement, then the Company would allocate Millennium Food-Tech ordinary shares as indicated below: If the issue of the Company takes place prior to November 1, 2021, then the offering of its shares, the Company would allocate Millennium Food-Tech ordinary shares at a price reflecting a 20% discount on the price at the time of completing the offering. If the offering does not take place under that date, the Company would allocate ordinary shares to Millennium Food-Tech in the next financing round of $1 million or more taking place after November 1, 2021 at a price per share reflecting a 20% discount on the price in the financing round, and at any event, the price may not be less than $8.97 per share. At this stage, the number of shares of Millennium Food-Tech has not been determined; however, Millennium Food-Tech elected to partially exercise the option and the remaining option expired.

On November 4, 2020, it was agreed that the share price determined in the first installment would be revised to $8.88 per share and the share price under the second installment would be revised to $22.28 per share. According to those understandings, the Investors were issued additional shares that reflect the above reduction of the price per share.

As of December 31, 2021, management performed a valuation using the Black and Scholes model, which was also used in the original valuation that was attached to the Company's financial statements as of December 31, 2020, except for the assumptions and estimates, which were changed relative to the original valuation, as presented in the following table:

| | **As of December 31** | |
|---|---|---|
| | **2021** | **2020** |
| | **NIS** | |
| Expected volatility | 49% | 87% |
| Share price as of valuation date | 68.77 | 121.4 |
| Expected period to exercise | 0.56 | 1.56 |
| Risk-free interest | 0.19% | 0.12% |

## NOTE 9 - TAXES ON INCOME:

The income of the Company is liable to the normal corporate tax rate at 23%.

A corporation is liable to real capital gains tax at the corporate tax rate beginning on the year of disposal.

According to the law, the statute of limitations on self-assessments filed by taxpayers was set to four years after the end of the tax year in which the assessment was filed.

Note of theoretical tax

The following is a reconciliation between the amount of tax that would apply had all income would be taxed at the regular Israeli corporate tax rate and the amount of tax recognized in profit or loss for the reported year:

| | For the year ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | **NIS** | |
| Loss before tax | (8,677,457) | (16,291,143) |
| Statutory tax rate | 23% | 23% |
| Tax calculated based on statutory tax rate | (1,995,815) | (3,746,963) |
| Non-deductible expenses | (873,951) | 3,038,944 |
| Loss for tax purposes not recognized as deferred taxes | 2,869,766 | 708,019 |
| | - | - |

## NOTE 10 - RESEARCH AND DEVELOPMENT EXPENSE, NET:

| | For the year ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | **NIS** | |
| Consultants | 3,142,425 | 743,381 |
| Payroll | 4,472,145 | 4,616,981 |
| Other | 762,571 | 138,209 |
| Purchasing | 2,457,023 | 748,072 |
| Participation in expenses | (2,311,491) | (1,165,444) |
| | 8,522,673 | (5,081,199) |

On May 6, 2020, the Company received a notice from the Israel National Authority for Technological Innovation that its Research Committee resolved in its April 1, 2020 meeting to approve the plan submitted by the Company regarding the development of an innovative cellulose-based meat substitute that provides identical eating experience to that of meat.

The research and development expenses approved for the plan amount to NIS 2,307,888, with a grant approved at 75% of that amount, i.e. NIS 1,730,916.

**NOTE 10 - RESEARCH AND DEVELOPMENT EXPENSE, NET** (continued):

The Company is committed to pay royalties to the Innovation Authority at 3% of revenue (subject to the provisions of the Encouragement of Industrial Research, Development and Technology Innovation, 1984 and the regulations thereunder).

The approval is contingent on compliance with the provisions of the support program and the Encouragement of Industrial Research, Development and Technology Innovation, 1984 (hereinafter: "the Innovation Law"), the rules and procedures set by its virtue, as well as the following terms:

1) The approved plan would be implemented as detailed in the application of the Company within a twelve-month period, from May 1, 2020 to April 30, 2021.

2) The Company and the controlling shareholder, or the interested party of the Company, as applicable, are required to report to the Research Committee on specified dates on any change of control in the Company and certain changes in holding of instruments by the controlling shareholders of the Company.

3) In the event of placing charges on assets of the Company in favor of an Israeli bank against credit, the Company is required to ensure that the charge would be in compliance with the plan and the Innovation Law, as well as the rules and procedures set by their virtue.

4) If the plan is related to an agreement with an academic institution or a company for implementing academic research, the Company is required to ensure that the agreement complies with the provisions of the program and the Innovation Law, as well as the rules and procedures set by their virtue.

5) Additional terms and conditions as set in the approved plan.

In 2020, an amount of NIS 922,919 was received under the plan.

In November 2021, the Company received an approval of the Innovation Authority to a grant under the research and development plan that the Company filed for 2021-2022. The approval of the Innovation Authority was granted for a plan to develop an innovative cellulose-based meat substitute that provides identical eating experience to that of meat, which the Company is developing.

The approval was granted pursuant to the Encouragement of Industrial Research, Development and Technology Innovation, 1984 and the provisions of Benefit Program Rules No. 1 (R&D Fund, Including Minimum Requirements and Criteria of the Benefit Program) and is subject to a number of obligations, restrictions and conditions precedent, as is common for approvals of this type, including the provision of royalties to the State of Israel from all revenue of the Company.

The amount of research and development expenses approved to the Company is NIS 7 million, and the share of that amount that was approved as a grant for 2021 (through the end of June 2022) is 50% (i.e. up to NIS 3.5 million).

## NOTE 11 - ADMINISTRATIVE AND GENERAL EXPENSES:

| | For the year ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | **NIS** | |
| Bookkeeping | 44,650 | 35,716 |
| Payroll | 3,170,198 | 446,752 |
| Legal | 445,092 | 326,228 |
| Levies | 59,488 | 10,962 |
| Other | 807,736 | 225,287 |
| | 4,527,164 | 1,044,945 |

## NOTE 12 - MARKETING EXPENSES:

| | For the year ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | **NIS** | |
| Payroll | 797,017 | 214,296 |
| Other | 1,129,979 | 104,156 |
| | 1,926,996 | 318,452 |

## NOTE 13 - LOSS PER SHARE:

**a. Basic**

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding.

| | For the year ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | **NIS** | |
| (Loss) for the period | (8,677,457) | (16,291,143) |
| Weighted average of the number of issued ordinary shares | 2,055,043 | 1,286,438 |
| **Basic loss per share (NIS)** | (4.22) | (12.66) |

## NOTE 13 - LOSS PER SHARE (continued):

### b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options. A calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of unexercised options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | For the year ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | **NIS** | |
| Total loss for the period, used for calculating basic (loss) per share | (8,677,457) | (16,291,143) |
| Adjustments for additional shares assuming exercise of warrants | (5,793,188) | - |
| Total (loss) used in calculation of (loss) per share | (14,470,645) | (16,291,143) |
| Weighted average of number of shares used in calculation of (loss) per share | 2,128,621 | 1,286,438 |
| **Diluted loss per share (NIS)** | (6.80) | (12.66) |

## NOTE 14 - TRANSACTIONS WITH RELATED PARTIES AND INTERESTED PARTIES:

**a. Compensation and benefits to interested parties and key management personnel**

Key management personnel of the Company are Ms. Racheli Vivman, who is CEO and director, and Oded Shosevoy, who is Chief Science Officer (CSO) and Chairman of the Board. In the year ended December 31, 2020, payments were made to interested parties and key management personnel.

**b.** For information about the engagement with Yissum, which is an interested party, see note 15 below.

**c.** For information about a grant of equity-based compensation, see note 8 below.

**d.** In early November 2020, after obtaining consent from Yissum, the Company engaged in an agreement for consulting services with Prof. Oded Shosevoy, under which, beginning on January 1, 2021, Prof. Shosevoy would provide up to eight weekly hours of consulting services to the Company for a monthly payment of NIS 14,000 plus VAT.

## NOTE 14 - TRANSACTIONS WITH RELATED PARTIES AND INTERESTED PARTIES (continued):

Benefits to key management personnel of the Company (*)

| | For the year ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| | **NIS** | |
| Consulting fee and related expenses to the Chairman | 338,897 | - |
| Compensation and related expenses to CEO (in terms of expenses to the employer) | 1,146,239 | 396,000 |
| Directors' remuneration and related expenses | 160,325 | - |
| | 1,645,461 | 396,000 |

* Including share-based payment

## NOTE 15 - ENGAGEMENTS:

Research and licensing agreement with Yissum

On June 17, 2019, the Company engaged with Yissum in a research and licensing agreement (hereinafter in this section: "**the Agreement**" or "**the Commercialization Agreement**"). The following are the main commercial terms of the agreement:

Yissum granted the Company an exclusive worldwide license to make use of the patents, pending patents and knowhow detailed in the appendix to the Agreement, which was developed at the Hebrew University by Prof. Oded Shosevoy and Prof. Ido Braslavsky (hereinafter: "**the Researchers**"), the knowhow and research results that was performed by the Researchers at the Hebrew University according to the budget and research program attached to the Agreement (hereinafter in this subsection: "**the Technology**") in order to allow the Company to deliver on its commitment to research, develop, manufacture, market and sell or commercialize a product and/or service and/or development based on the Technology (hereinafter: "**the License**"). The License is limited to food applications (including medical prescribed diets and nutrition that may be based on the Technology).

The Company committed to finance the Research (as defined by the Agreement) according to the budget and the research plan attached to the Agreement and based on the milestones as defined by the Agreement and that through the period of the research (as defined by the Agreement) and to make certain payments to Yissum, as indicated in the Agreement. Any failure to achieve the milestones set in the Agreement not resulting from reasons outside the control of the Company, which was not rectified during the period set in the agreement would create grounds for immediate cancellation of the Agreement. Additionally, Yissum would be entitled to cancel the Agreement if the Company, a related company thereof, or any sublicense holder will raise a claim for invalidity of the patents. In return for granting the License, the Company committed to pay Yissum a consideration, mainly composed as follows:

**NOTE 15 - ENGAGEMENTS** (continued):

(1) royalties at 3% of net sales (as defined by the Agreement) (which may be reduced in certain circumstances; however, in any case, may not be less than 1.5% of net sales) of products and/or services included in the License; (2) payment for granting sublicenses, which the Company may grant with consent by Yissum and according to the terms and conditions in the Agreement, at 15% of the consideration to be received by the Company for granting those sublicenses (hereinafter: "**the Licensing Consideration**"). It was further agreed that all rights to results of activities performed by the Company or third parties (other than the Researchers and their team, or another employee of the university) according to instructions from the Company would be owned by the Company, and any patent arising from the above would be register in the name of the Company only, unless an employee of the university, including the researchers is considered as the inventor of that patent, in which case the Company and Yissum will jointly own the patents and they will be registered in the name of both. It was further agreed that ownership and rights to research results and patents shared with other Yissum companies and the Company would be subject to the instructions of the Innovation Authority. The Company granted Yissum an irrevocable assignment letter for all rights of the Company to those shared patents to Yissum in case the Company is declared insolvent or launches a liquidation or not bear the costs of registration, protection or retention of the shared patents, according to the provisions of the Agreement, whichever is the earlier.

It was agreed that the License would expire on the basis of country and product, according to the later of: (a) the expiration date of the last registered patent in the specific country from among the patents included in the License; (b) the termination date of each type of exclusivity regarding the product as granted by a regulatory or government body in that country; or (c) the end of a 15-year period from the date of the first commercial sale in that country. It was agreed that in cases in which, regarding a certain country, the times indicated in subsections (a) or (b) above occur before the date indicated in subsection (c), then the License in that country would be considered as a license for the knowhow during that period. Upon the end of the later period from among subsections (a)-(c) above (and subject to the License not terminated prior to that), the Company would have a complete non-exclusive license to the knowhow. Additionally, the Company would have an exclusive irrevocable option to receive an exclusive license to the knowhow in return to half the consideration for the License for a two-year period from the end of the periods specified above, which would renew automatically by additional tow-year periods, unless any of the parties notifies the other party, before the end of the relevant two years, that it is uninterested in renewing the license, as above. The commercialization agreement will be terminated when all patents expire or upon occurrence of certain events, in accordance with the common practice in such agreements. The parties committed to maintain mutual confidentiality. The Company committed to indemnification and insurance duties according to the common practice in commercialization agreements. Further, the Company agreed to cooperate with Yissum regarding publications connected to the Technology.

**NOTE 15 - ENGAGEMENTS** (continued):

Under the License Agreement with Yissum, and according to its provisions, the Company and Yissum engage from time to time and over predetermined periods (of between several months to a year) in agreements for providing research and development services, whereby Yissum grants, through Prof. Shosevoy and Prof. Braslavsky and their laboratories, certain research and development services to the Company in exchange for the payments indicated in the Agreement. Such agreements usually prescribe, among other provisions, a commitment for confidentiality and sharing intellectual property rights between the parties in relation to the services under the agreement. Those agreements are in effect throughout the period of rendering the services and are cancellable by a notice one month in advance and upon occurrence of certain events, as indicated in the Agreement.

On October 23, 2020, the Company signed an agreement with a large corporation that specialized in manufacturing and marketing of raw materials for the food industry for cooperation regarding the development of some raw materials for the formulations (recipes) for products of the Company (hereinafter in this section: "**the Agreement**").

The Agreement continues the ownership of the Company over all intellectual property rights related to the Company's plant-based ingredients, relevant manufacturing and cooking systems and the relevant technology, as well as the emulsion and the unique ingredients of the Company in relation to its brand. The other party committed to finance its part of developing the relevant raw materials and to assist in achieving an optimal and fast development process.

Agreement with BBB Restaurants Ltd ("BBB")

**a.** On December 23, 2019, the Company engaged with BBB in a joint development and collaboration agreement (hereinafter in this section: "the Agreement" or "the Development Agreement"), whereby the parties committed to cooperate in the development, design and assessment of hamburgers using the cartridge system of the Company (hereinafter in this subsection: "**the Product**"), and do so in according to a three-year development plan that was set in place in the Agreement. Within the development plan, it was agreed that BBB would provide the Company access to its restaurants and branches and allow the company to examine its operating methods for product characterization. BBB would provide the Company feedback on the Product and its taste. When the Product of the Company reaches the alpha and beta test phases, the Company would provide BBB systems and cartridges for its use and for selling the Product in some of its restaurants simultaneously. For that end, the Company granted BBB a license for the development systems regarding the systems and the use of them. It was additionally agreed that the parties would be each other's exclusive partner regarding the development of the Product and its sale in hamburger restaurants in Israel for the duration of the development program, and that each of the parties would bear its own expenses arising from satisfying its commitments under the development plan. The obligations of BBB, including services of the chain's chef to the development program, will be performed to the extent set in the Agreement.

**NOTE 15 - ENGAGEMENTS** (continued):

**b.** Subject to completing the development plan, to the satisfaction of both parties, the integration of the Product in BBB restaurants and transition to the commercial phase would be performed under the following terms and conditions:

1) The Company would provide BBB and its related companies (hereinafter in this subsection: "**the Group**") orders of the system and cartridges of the raw material for manufacturing the Product in such a way as may be agreed between the parties at that time.

2) The Group would receive a license to use the system and the cartridges of the raw material for exclusive use, preparation, marketing and selling of the Product for 24 months in relation to selling the Product in hamburger restaurants in Israel, as may be agreed by the parties at the end of the development plan.

3) A license for marketing the Product in Israel and promotion of their business.

**c.** BBB committed it and its related companies will not sell or promote the plant-based product that is similar to Products that is made using 3D printers or robotic technology during the term of the Agreement, subject to completion of the development plan within 3 years from the date of signing the Agreement.

Under the Agreement, BBB gave its consent that one of its senior employees would serve as member of the Company's consulting scientific committee for the number of hours it committed to in the Agreement and it was also agreed that options to buy 5,593 ordinary shares of the Company would be granted to each of BBB and its senior employee.

**d.** The Agreement also includes confidentiality, indemnification and insurance clauses, according to the normal practice.

Cooperation agreement with Sodexo Operations LLC

In August 2021, the Company signed a cooperation agreement with Sodexo Operations LLC ("Sodexo") for planning and implementing a pilot program in which Sodexo would provide and sell the plant-protein meat substitutes of the Company which are produced and cooked at point of consumption, using the unique solution of the Company. The pilot program is expected to take place in several dedicated locations, using a limited number of cartridges and digital production systems over several months under the trademark of the Company. The parties intend to examine the option of signing a final agreement to cover the supply of the Company's food products and/or performing additional pilot programs under the cooperation Agreement. The Company believes that the immediate advantage of this cooperation is in promoting the Company beyond the commercialization phase and launching activity in the US market, with the assistance in researching the user experience aspects and regulatory considerations with the help of Sodexo. Prior to the launch of the Pilot program, the parties will perform a preliminary preparatory phase in which a pilot program will be agreed upon (this preparatory phase will include demos of the Company's food product, obtaining reviews and feedback from Sodexo professional team, and other aspects for the pilot program including, among others, selection of locations, logistics planning, marketing and supply chain).

**NOTE 15 - ENGAGEMENTS** (continued):

The cooperation agreement provides for exclusivity of the parties regarding higher education institutions in the United States. Under the cooperation agreement, all intellectual property related to the products of the Company, including any potential adjustments and revisions would be owned by the Company, regardless of the party suggesting or performing the change. As part of the pilot program to be later agreed by the parties, Sodexo will pay the Company reasonable costs and expenses in relation to the pilot program.

Cooperation agreements with Yarzin-Sella Group for performing future pilot programs and commercialization activities of the Company's products

In November 2021, the Company signed cooperation agreements with Yarzin-Sella Group Ltd for performing different pilot programs and commercialization activities regarding the products of the Company under development in Israel and worldwide (initially in Israel), which will be implemented with the advice and support from Yarzin-Sella. As part of the planned cooperation, plant-based protein meat substitutes of the Company that are produced and cooked at the point of consumption using the Company's unique solution (robot chef). As part of the cooperation, Yarzin-Sella would provide the Company strategic planning and consulting services in the area of food services, sales promotion and business development in the locations in which the Group is operating.

The cooperation with Yarzin-Sella was set for a 30-month period from the date of engagement, with the original duration of the pilot program in Israel of up to three months.

According to the cooperation agreement, Yarzin-Sella committed to the Company not to engage with third parties regarding the planning and marketing of food products of the type produced by the Company and in the way defined by the cooperation agreement. Under the cooperation agreement, all intellectual property related to the products of the Company, including any potential adjustments and revisions would be owned by the Company, regardless of the party suggesting or performing the change. For the purposes of the initial pilot program, the Agreement determines an estimation of costs and prices in relation to the Company's food items and the robot chef system that may be offered and marketed after the pilot program.

**NOTE 16 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT:**

Financial risk management

**a. Financial risk factors**

The activity of the Company exposes it to a variety of financial risks: market risks (foreign currency risk), credit risks and liquidity risks. Risk management is performed by the Company's management.

1) Market risks:

Foreign exchange risks

The Company has a US dollar bank account which exposes the Company to volatilities in the exchange rate of the NIS vs. the US dollar.

**NOTE 16 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT** (continued):

2) Credit risk:

Credit risks are accounted for at the level of the Company. Credit risks are associated with cash and cash equivalents.
As of December 31, 2021, the Company has yet to recognize a provision for credit loss.

3) Liquidity risk

The Company does not utilize any banking credit facilities.

As the Company does not have any significant cash flow from its operating activity, the financing of the Company is based on issuing equity instruments to its shareholders.

All financial liabilities of the Company are due within 12 months. The carrying amounts of balances maturing within 12 months approximate their fair value as the impact of discounting is immaterial in such a short term.

**b. Capital risk management**

The capital risk management objective of the Company is to preserve its ability to continue operating as a going concern and to maintain an optimal capital structure in order to minimize capital costs. The Company may take different steps to preserve or adjust its capital structure, including by issuing new shares.

**NOTE 17 - INVESTMENTS IN AN ASSOCIATE:**

On October 6, 2021, Egg'N'up Ltd entered into an agreement with Millennium Food-Tech Limited Partnership – an interested party of the Company by virtue of its holdings – for investment in an egg substitute that the Company developed that is plant-based and composed of the unique cellulose fibers of the Company, and that following a memorandum of understanding signed between them.

The agreement sets the terms for developing egg substitute products through a private company that the Company incorporated for that purpose and investment therein.

For that purpose, the Company transferred to Egg'N'up Ltd the knowhow and technology for manufacturing of an egg substitute, including a right to engage with Yissum Research Development Co of Hebrew University of Jerusalem in consideration of a tax-exempt allotment of shares according to the provisions of Section 104A to the Ordinance.

Under the agreement, Egg'N'up Ltd could raise $2-2.5 million, of which private investors may invest $1.2-1.5 million in exchange for share capital and the remainder ($0.8-1 million, respectively) is expected to be accepted through a grant of the Innovation Authority under its Program (track) 46. The private investors were given an option to repay the grant of the Innovation Authority and by that to increase their investment in Egg'N'up Ltd.

**NOTE 17 - INVESTMENTS IN AN ASSOCIATE** (continued):

Additionally, Millennium Food-Tech committed to invest under the agreement an initial amount of $1.2 million in Egg'N'up Ltd (regardless of an additional potential investment of $0.8 million if it elects to exercise the option that was given to it, as above, under the terms of the plan) in such way that upon closing the agreement, assuming the investment of the entire minimum amount for investment by Millennium only (without investment of other private investors), Egg'N'up Ltd would be jointly owned by the Company (about 86% in practice) and Millennium Food-Tech (about 14% in practice). According to the investment agreement, Millennium Food-Tech received preferred shares that give it different rights and protections, as is the common practice in investment agreements of this type. The agreement includes reference to additional matters that are common in agreement of that type, including adoption of capital-based compensation plan, ownership over the intellectual property to be developed by the subsidiary, sublicense granted by the Company to Egg'N'up Ltd the facilitate the continued development of the new product, indemnification, etc.

Based on the original license for development of meat substitutes that the Company received from Yissum Research Development Co of Hebrew University of Jerusalem Ltd, Egg'N'up Ltd received from the Company (with a revision of the original license with Yissum) an exclusive license and sublicense for research and development, manufacturing, marketing and distribution of the egg substitute and related product using the cellulose fibers that were developed by Yissum and the formulation of the Company, as well as agreeing on other matters such as the process for supplying the raw material to Egg'N'up Ltd by the Company, and royalties that will be paid to the Company from sales of the product and/or giving a sublicense.

Investment amounts are expected to be used by Egg'N'up according to an agreed-upon budget.

According to a decision taken, the main goal of engaging in this agreement is to allow the Company's management team to continue focus on development of the main product, i.e. plant-based meat substitutes produced by the Company's unique and advanced digital system, while taking advantage of this business opportunity to capitalize on the advantages in continuing development of the egg substitute by the subsidiary.

**NOTE 17 - INVESTMENTS IN AN ASSOCIATE** (continued):

It is the intention of the Company that Egg'N'up Ltd will be led by a highly professional and independent management team, which will work separately from that of the Company, such that the Company is able to continue development of the meat substitutes while Egg'N'up Ltd continues the development of the egg substitute.

| | As of December 31, 2021 |
|---|---|
| **Investments in investees accounted for using the equity method (in this section - "associates"):** | |
| Investment in share capital | 1,187,358 |
| Accumulated dividend | (113,535) |
| Accumulated loss | (223,720) |
| | 850,103 |

**Change in investments in investees accounted for using the equity method:**

| | As of December 31, 2021 |
|---|---|
| Balance as of beginning of year | 0 |
| Reduction of interest in investee | 1,187,358 |
| Accumulated dividend | (113,535) |
| Share of losses of investee | (223,720) |
| Balance as of end of year | 850,103 |

**Condensed information about associates, without adjustment to reflect the Company's equity interest**

| | As of December 31, 2021 |
|---|---|
| Current assets | 3,765,000 |
| Non-current assets | 4,486,000 |
| Total assets | 8,251,000 |
| Current liabilities | 198,000 |
| Non-current liabilities | 484,000 |
| Total liabilities | 682,000 |
| Equity attributed to shareholders of the Company | 7,569,000 |

| | 2021 |
|---|---|
| Operating loss | 282,000 |

**NOTE 17 - INVESTMENTS IN AN ASSOCIATE** (continued):

**Reconciliation of condensed information**

| | As of December 31, 2021 |
|---|---|
| Equity attributed to owners of the Company | 7,569,000 |
| Share of the Company in equity of associate | 6,487,714 |
| Balance of investment financial statements of the Company | 850,103 |
| Unrealized gain | 5,637,611 |

**NOTE 18 - SUBSEQUENT EVENTS:**

**a.** On February 21, 2022, the Company's board of directors approved the grant of 24,022 options convertible into ordinary shares, as indicated in note 8 above.

**b.** On January 12, 2022, Egg'N'up Ltd., which develops an egg substitute, closed another investment with an additional investor (a private foreign corporation, which is not and will not become an interested party of the Company following its investment). This investment relies and joins under the same terms and conditions to the main investment agreement between Egg'N'up Ltd. and Millennium Food-Tech from October 2021. Accordingly, the total accumulated investment in the subsidiary, according to the original and additional agreement, is $2.34 million (the amount of investment in the additional agreement is $340 thousand). Upon closing the additional agreement, the Company has an 82% equity interest in Egg'N'up Ltd., Millennium Food-Tech has 14% and the additional investor has 4% (70%, 18% and 5% fully diluted (the remaining equity interest is reserved for employee equity-based compensation)).

**c.** In January 2022, a total of 12,690 options were exercised into ordinary shares of NIS 0.01 par value each of the Company.