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GenCell Ltd.

2023 Periodic Report

The Company is a “small corporation”, as this term is defined in Regulation 5C of the Securities Regulations (Periodic and Immediate Reports), 1970 (the “Reports Regulations”). Accordingly, on March 27, 2023, the Company’s Board of Directors resolved to adopt the expedients listed in Regulation 5D of the Reports Regulations, including the semi-annual reporting framework. Additionally, since the Company is considered a “Tech-Elite” corporation, as this term is defined in the Securities Regulations (Reports of Corporation With Shares Included on the TA Tech-Elite Index), 2016 (the “Tech-Elite Regulations”), the Company adopted the expedients listed in Regulation 3 of the Tech-Elite Regulations. For additional details, see the Company's immediate reports from January 1, 2023, and January 4, 2021 (reference nos.: 2023-01-000813 and 2021-01-001390, respectively). The above constitutes inclusion by way of reference.



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Definitions

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

“USD” -	U.S. Dollars;
“Stock Exchange“ -	The Tel Aviv Stock Exchange Ltd.;
“Company” -	GenCell Ltd. (Corporate no. 514579887) GenCell Energy De Mexico, S. DE RL.DE C.V, a company
“Local Partner” -	which was incorporated and registered in accordance with the laws of Mexico;
“Icelandic Communications Company” -	Neyðarlínan Ohf;
“Companies Law“ -	The Companies Law, 1999;
“Securities Law“ -	The Securities Law, 1968;
“Ordinary Shares” -	Ordinary shares of the Company, worth NIS 0.01 par value each;
“IPO Prospectus” -	A prospectus for an initial public offering that also constitutes a shelf prospectus of the Company from November 9, 2020, dated November 10, 2020, and extended until November 9, 2023 (reference no.: 120750-2020-01 and 2022-01-132550, respectively);
“Shelf Prospectus” -	The Company’s shelf prospectus, which was published on October 25, 2023, dated October 26, 2023 (reference number: 2023-01-118893).
“A5”-	A fuel cell using ammonia as fuel and intended for continuous work and providing 4.5 KW, with an exit voltage of 48 DC; this system is planned to be replaced with the new and upgraded FOX model;

- “BOX”-** A fuel cell using hydrogen as fuel, which is intended for backing up critical systems for extended periods of time, and intended for operation in outdoor conditions, providing 5KW; this upgraded system will replace the G5 system;
- “CFE” -** The Federal Electricity Commission of Mexico;
- “EV MOTORS”-** E.V. Motors Ltd., an Israeli company;
- “EVOX”-** A system that combines fuel cell-based energy generation and an energy storage system intended to supply energy to electrical vehicles.
- “EVOX High Power”-** A system that combines fuel cell-based energy generation with a minimum capacity of 50KW, plus an energy storage system intended to supply energy to electrical vehicles.
- “FOX”-** A fuel cell using ammonia as a fuel and intended for continuous work and providing 4.5 KW with an exit voltage of 48 DC. This upgraded system will replace the G5 system;
- “G5”-** A fuel cell using hydrogen as a fuel, which is intended for backing up critical systems for extended periods of time, providing 5KW; This system was replaced by a new and upgraded system called BOX;
- “G5RX”-** A fuel cell using hydrogen as a fuel and intended for backing up critical systems for extended periods of time and providing 5KW with an exit voltage compatible with 130 DC and 48 VDC transformer rooms simultaneously. Inside a container capable of operating during an earthquake and containing a separate room for gasses; this system was replaced with the new and upgraded REX model;
- “GenCell Inc.” -** GenCell Inc. (EIN #931405467), a company incorporated and registered in accordance with the laws of the State of Delaware (USA), which is wholly owned (100% of its issued and paid-up share capital) by the Company.

- “OX” -** A fuel cell using hydrogen as a fuel and intended for backing up critical systems for extended periods of time and intended to operate in outdoor conditions, providing 10KW.
- “REX”-** A fuel cell using hydrogen as a fuel and intended for backing up critical systems for extended periods of time and providing 5KW with an exit voltage compatible with 130 DC and 48 VDC transformer rooms simultaneously. This upgraded system is based on the BOX system platform, and will replace the G5RX system;
- “TDK“ -** TDK Corporation, a company incorporated in Japan;



Chapter A – Description of the Corporation’s Business

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Chapter A – Description of the Company’s Business

Part One - General

1. General

The Company’s Board of Directors is hereby honored to present a description of the Company’s business as of December 31, 2023, which provides a description of the Company and the development of its business during the Reporting Period. The data included in this report is accurate as of the Report Date, and is up to date as of December 31, 2023, unless stated otherwise.

The Company is in compliance with the conditions specified in section 1a of the First Addendum to the Securities Regulations, and accordingly, a description of the Company and its business, in this chapter below, are for the period starting January 1, 2022 and ending near the report’s publication date, unless specified otherwise.

The financial figures included in this report are in U.S. Dollars, unless stated otherwise.

All of the data presented in this report refer to the Company’s consolidated financial statements, unless noted otherwise.

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

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

2. Definitions

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

- "Liquid Electrolyte"** - Any material containing free ions and acting as an electric conductive medium.
- "Electrode"** - An electrical conductor used to make contacts with a non-metallic medium of an electrical current. In the fuel cell, the hydrogen separation process occurs on the surface of the electrode where the catalyst is located;
- "Electrolysis"** - A chemical process that passes through an ionic material or a water solution, of breaking bonds between various molecular materials and compounds to their separate elements;
For example, breaking water into hydrogen and oxygen;
- "Alkaline"** - A word used to describe basic ionic salts of certain metals (such as sodium) or basic water soluble materials or basic materials in general. These salts were the first known bases and to this day serve as common based in industry. Inside the fuel cells, the medium between the electrodes is comprised of a base (alkaline) made of potassium hydrochloride, dissolved in water (30% concentration).
- "Haber-Bosch"** - An artificial nitrogen fixation process, and currently the primary industrial process for the production of ammonia;

“Ammonia” -	Ammonia is a compound of nitrogen and hydrogen, and its formula is NH_3 ;
“Anode” -	A type of electrode. In the fuel cell, serves as an electrode in which an oxidation reaction of hydrogen and oxygen occurs.
“Nitrogen“ -	A chemical element with chemical symbol N and an atomic number of 7. The nitrogen molecule is comprised of two nitrogen atoms bonded in a triple covalent bond ($\text{N}\equiv\text{N}$) and marked N_2 . Besides hydrogen, this is the element with the smallest atomic mass relative to its number of electrons;
“Low Temperature “- “Reporting Date” and “Reporting Period”, as applicable -	Work temperature of fuel cell – around 70 degrees Celsius; The twelve month period ended December 31, 2023;
“Hydrogen” -	A chemical element with chemical symbol H and an atomic number of 1. The hydrogen molecules are comprised of two hydrogen molecules bonded with a single covalent bond (H-H) and marked as H_2 ;
“DC” -	(Acronym of Direct Current) The flow of electrical charges through a conducting medium with a fixed trend, or in other words which does not reverse its direction;
“Methanol” -	Methanol is the simplest form of alcohol. It is a colorless, flammable and toxic liquid with a distinctive odor;
“Nickel” -	A chemical element from the transition metal group the chemical symbol of which is Ni and the atomic number of which is 28;
“Semiconductor“ -	The material has an electric conductivity value falling between that of a conductor, such as a metallic copper, and an insulator, such as glass;
“Polypropylene” -	A thermoplastic polymer used in a variety of applications: warping material and badges, textiles, packaging and plastic parts, lab equipment, auto parts, etc.;
“Carbon Dioxide” -	A gas that constitutes a compound of carbon and oxygen;

“Palladium“-	A chemical element the chemical symbol of which is Pd and the atomic number of which is 46;
“Platinum”-	A chemical element the chemical symbol of which is Pt and the atomic number of which is 78;
“Gravimetric Energy Density” -	The electrical energy deriving from the presence of an electrical charge in an electrical field;
“Catalyst”-	A catalyst is a material that can accelerate chemical reactions;
“Cathode”-	A cathode is a type of electrode (positive or negative dependent on the application); in a fuel cell, the cathode serves as the negative potential to which the free electrodes move through the high potential load (anode);
“Electrochemical Reaction” -	The binding of oxygen and hydrogen in a chemical process that creates electricity, heat and water;
“Fuel Cells”-	A fuel cell is an electrochemical cell that converts chemical energy to an electrical current.
“Electrochemical Process” -	A process dealing with the chemical reactions in which hydrogen is separated and an electron passes between an electrical conductor (the electrode) and an ionic conductor (electrolyte). These are reactions in which an electron passes through the area between the electrode and the ionic conductor;
“Black Carbon”-	(Black carbon) a component of a delicate particle material
“CE”-	European standard mark signifying that the marketed product meets the required relevant European legislation. These standards are required in order to market electrical products, for example, in Europe, Switzerland and Turkey;
“CO₂”-	Carbon dioxide (chemical formula CO ₂) is a colorless gas with a density 60% higher than dry air;
“GenCell Gemes IOT Edge”-	EDGE IoT software is used in all of the Company’s systems which serve as a base platform and an engine for GEMS, for off-grid energy solutions. The software allows the Company’s systems to interface, through several structured communication protocols, with the customer’s information management systems, and also allow remote connections;
“DMFC”-	Fuel cells that operate directly on methanol;

“EFC EV”-	An electrical vehicle powered by a hydrogen fuel cell;
“GEMS”-	Energy management system. This category is expected to include many sub-products which are associated with the Company’s energy management system. The system is capable of managing and prioritizing several output and energy storage sources against variable dynamic loads, such as electric vehicles or fixed loads for backup;
“H2O”-	Chemical symbol of water;
“IEC”-	Israeli electric company;
“IEEE”-	The world’s leading electrical engineering and electronics organization in the field of electric product and electronics standards. Regularly distributes international standards recognized by the entire world in the field of electricity and electronics. Testing and documentation bodies (such as TUV) use standards written by the IEEE as the basis for tests for the equipment they test;
“IEEE 693 Seismic Standard”-	Standard – a combined system of requirements for seismic certification of electrical equipment, designated for the world’s advanced electric companies. Unlike other standards, also requires the examination of equipment in practice and in effect does not consider the model sufficient. Users must use IEEE Std 693 with no changes or removals of any requirements;
“Mini Power Plant”-	Intended to provide a response to electricity needs in distant areas without a power grid. The mini-energy plant is comprised of a tank of ammonia fuel, an ammonia cracker, a fuel cell and a control system (EMS);
“Pem”-	A membrane serving as a catalytic medium between the anode and cathode in PEMFC fuel cells;
“PEMFC”-	A fuel cell in which the medium between the anode and cathode is a membrane (and not a liquid);
PhD”-	Dr. title;

S&OP”“-

Sales & Operation Planning Process;

TUV”“-

Technical testing association (Germany and Austria). Europe’s current leading technical body for testing and certification;

“TUV Rhineland”-

An internationally recognized German-Austrian certification and testing body. Provides certification in a broad variety of test and standards including highly certified experts who tests systems and technical products around the world. Its certification is accepted around the world;

“UPS”-

An uninterrupted power supply backup array. Allows ongoing load control so that the load does not feel any disruption. Used to protect critical loads from power supply issues, including peaks, current drops, fluctuations and absolute chemical failures. The source of the energy is mostly designated batteries;

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

3. The Company’s field of activity and description of the development of its business

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

The Company is a producing technology company which is engaged in the planning, development, production, marketing and provision of after sale services for alkaline fuel cell-based electricity production systems featuring the production of green energy without creating carbon dioxide emissions, using hydrogen or ammonia as fuel, in response to the growing need for green energy as an alternative to internal combustion engines based on oil substitutes, and to provide a solution for a weakness in the current power grid, which does not allow the availability of electricity anytime and anywhere. The Company’s systems are designed to provide uninterrupted power supply solutions for critical points in the economy, and mobile electricity solutions for off-grid geographical areas.

The technology which has been developed in the Company, and which is protected through patents and trade secrets, places the Company in a unique position in the energy market in general, and in the global fuel cell market in particular, especially in terms of the clear competitive advantages on all matters associated with the production of electricity in extreme weather conditions. The Company has a clear patent filing strategy, within the framework of which the Company make sure to file payments for innovative subjects that it believes could grant it a significant advantage in the future. For additional details, see sections 9 and 20 below.

The Company’s headquarters, which include the development and production laboratories, are located in Petach Tikva, Israel. The Company operates various development groups in different places around the world, such as France, Bulgaria, Switzerland and Taiwan. The Company also has commercial activities in Europe, Asia and Central America, while the activity in North America is

managed through the subsidiary GenCell Inc. The Company independently produces its core technology, which includes most of the intellectual property and expertise developed in the Company, while other parts are manufactured in China, on an assembly line with a local supplier.

It is noted that beginning in July 2023, GenCell Inc.¹, a wholly owned subsidiary of the Company, commenced activity in the United States, in a scope which is immaterial to the Company as of the publication date of the report.

For complete details regarding the field of activity, see description in this chapter below.

4. Investments in the Company’s capital and transactions involving its shares

4.1. To the best of the Company’s knowledge, from January 1, 2022 until the publication date of this report, no investments were made in the Company’s capital, except as specified below:

Date	Description of change	Type of security	Consideration for shares	Price per share	Number of shares added to the Company’s capital
18.1.2022	Private allocation of ordinary Company shares in accordance with a material private allocation report.	Ordinary shares	Approximately NIS 112.5 million (approximately USD 36 million)	NIS 9.4 (Approximately USD 3)	11,966,979

On January 17, 2022, the Company’s Board of Directors approved a private allocation of 11,966,979 ordinary Company shares to third parties which are unaffiliated with the Company and/or its controlling shareholder (the “**Offerees**” and the “**Private Allocation**”, as applicable), against the payment of NIS 9.4 per ordinary Company share, so that the total gross proceeds received from the Offerees amounted to a total of NIS 112,489,602 (approximately USD 35,996,673). To the best of the Company’s knowledge, within the framework of the private

¹ GenCell Inc. was incorporated on October 30, 2017, pursuant to the laws of the State of Delaware (U.S.), and from the date of its establishment until the first half of 2023, it had no business activity.

allocation, ordinary shares were allocated, inter alia, to Migdal Insurance and Financial Holdings Ltd., an interested party in the Company, and to member entities of the group of Harel Insurance Investments and Financial Services Ltd., which became an interested party as a result of the private allocation. It is noted that the Company undertook towards one of the offeree investors that during 2022, that it will not allocate Company shares at a share price lower than NIS 11 per share, unless it performed an allocation to a strategic investor and/or as part of a strategic process. For additional details, see the material private offering report in accordance with the Securities Regulations (Private Offering of Securities in Registered Company), 2000 published by the Company on January 18, 2022 (reference no.: 2022-01-008007). The above constitutes inclusion by way of reference.

4.2. To the best of the Company's knowledge, from January 1, 2022 until the publication date of this report, no significant over-the-counter transactions involving the Company's shares were made by interested parties of the Company, except as specified below:

Interested party	Transaction date	Transaction type	Number of shares	Transaction rate (in 0.01 NIS)
Rami Reshef ²	22.6.2022	Over-the-counter purchase	147,159	339.50
	23.6.2022	Over-the-counter purchase	65,200	375
	28.6.2022	Over-the-counter purchase	21,068	445
	29.6.2022	Over-the-counter purchase	25,000	436.5
	30.6.2022	Over-the-counter purchase	50,000	423
	7.7.2022	Over-the-counter purchase	24,000	390.5
	21.7.2022	Over-the-counter purchase	30,000	343.5
	31.8.2022	Over-the-counter purchase	14,492	339.7
	1.9.2022	Over-the-counter purchase	14,492	344.93
	28.9.2022	Over-the-counter purchase	23,729	315
	30.1.2023	Over-the-counter purchase	26,399	189.2
	31.1.2023	Over-the-counter purchase	73,200	204.8
Ben Zion (Benny) Landa ³	19.4.2023	Over-the-counter sale	4,952,471	184.1
Sonol Israel Ltd. ⁴	19.4.2023	Over-the-counter purchase	4,952,471	184.1

5. Dividend distribution

5.1. During the last two years the Company has not distributed dividends to its shareholders, and has not bought back its own shares.

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

5.3. To the best of the Company's knowledge, subject to the provisions of the Companies Law, regarding the fulfillment of distribution tests, it is not subject to any restrictions which could affect its ability to distribute dividends.

5.4. As of the Reporting Date, the Company has no distributable retained earnings.

² It is noted that Mr. Rami Reshef is the Company's CEO.

³ That Mr. Landa is a director in the Company, who holds shares in the Company through Landa Ventures Ltd. (Private Company No. 513377234), a private company entirely under his control. It is noted that in light of the sale involved in the transaction, Mr. Landa ceased being the Company's controlling shareholder, and from that date onwards, the Company has been a company without a control core.

⁴ It is noted that following the purchase, Sonol Israel Ltd. became an interested party of the Company.

Part Three – Other Information

6. Financial information regarding the fields of activity

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

As of the Reporting Date, the Company has one field of activity.

For the Company's financial data for 2022-2023, see the Company's financial statements as of December 31, 2023, which are attached as Chapter C to the Periodic Report.

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

7. General environment and impact of external factors on the Corporation's activity

Presented below is a description of various trends, events and developments in the Company's macro-economic environment, be the Company's estimates regarding the trends, events and developments in the Company's macroeconomic environment which, to the best of the Company's knowledge and assessment, are having, or are expected to have, a significant impact on the business results or developments of the Company as a whole, or on its fields of activity, and the resulting implications for the Company:

7.1. Operation Swords of Iron

On October 7, 2023, a surprise attack was launched against the State of Israel, which led to the commencement of Operation Swords of Iron (the "War"), which is being fought on several fronts, and is still ongoing as of the present time.

The war has caused, and continues to cause, a decline of activity in the Israeli economy, a call-up of military reservists, which was initially widespread, and later began decreasing towards the end of the Reporting Period, various restrictions on congregating, a decrease in economic activity, and sharp declines in financial markets in Israel. The current period involves significantly uncertainty in connection with the development, scope, duration and effects of the war.

For details regarding the Company's assessments regarding the effects of Operation Swords of Iron, see section 1.4.1 in Chapter B of the Periodic Report.

7.2. Russia-Ukraine war

On February 24, 2022, Russia invaded the territorial area of Ukraine, and began a war which is still ongoing as of the publication date of the report. In response to the invasion, Western countries imposed various financial and economic sanctions on Russia and its citizens. The war has caused, and is still causing, adverse effects on economic activity around the world, with the most significant adverse effects, along with the sanctions which were imposed, as stated above, affecting the availability and prices of various goods and raw materials.

For details regarding the Company's estimates regarding the effects of the Russia-Ukraine war, see section 1.4.2 in Chapter B of the Periodic Report.

7.3. The economic situation in capital markets

As of the publication of this report, there is economic uncertainty in the Israeli or global capital market, which could negatively affect the Company's ability to raise additional capital, as needed, in order to complete the development of its products and expand its activity, taking into account that the Company is a producing technological company which has yet to generate sufficient cash flows to finance its operating activities. The Company is planning its operations such that the resources which are available to it will fulfill its needs for approximately 18 to 20 months after the Reporting Date. The impact of the economic uncertainty on the capital market in general, and on the Company's stock in particular, has caused the Company's market value to fall below its equity, and as part of the adoption of IAS 36, the Company is required to amortize value in its financial statements.

7.4. Macro-economic environment

The Company's activity depends, inter alia, on macro-economic trends in the Israeli economy, including the growth rate, inflation rate, interest rate, capital market conditions, employment rate, etc.

Following growth of 6.5% in 2022, during the first three quarters of 2023 the growth rate began to lessen, falling behind the long term growth rate, and amounting to around 3% in annual terms.⁵ During the Reporting Period, the Bank of Israel continued increasing the interest rate in several steps, up to a rate of 4.75% in January 2023. The interest rate remained at that level until the end of 2023, and in January 2024 the Bank of Israel announced an interest rate reduction of 0.25%, to 4.5%.⁶

The inflation rate forecast for 2024 is 2.4%, while the forecast for 2025 is 2%.

According to the macro-economic forecast prepared by the Bank of Israel's Research Division in January 2024, which was prepared during Operation Swords of Iron, based on the assumption that the direct economic impact of the war had reached its peak in the fourth quarter of 2023, and would continue until the end of 2024, although at gradually decreasing rates of intensity, GDP in the economy is forecasted to continue growing by 2% in 2024, and by 5% in 2025.

Moody's also announced a credit rating reduction of banks in Israel to A3, and placed it on negative rating watch, signifying another possible reduction in the future. The credit rating reduction is broad, since it includes the five largest banks in Israel, and was due to concerns that the government will be unable to support the banks.

For details regarding the Company's estimates regarding the influence of inflation and interest rates, see section 1.4.3 in Chapter B of the Periodic Report.

7.5. Currency rate fluctuations

On the one hand, the Company markets and sells its products to various countries around the world, mostly in USD and EUR, such that proceeds are received in foreign currency, while on the other hand, some of the raw materials used by the Company are purchased in that same foreign currency. The Company believes that it could be exposed to risks due to changes in the exchange rates of foreign currencies versus the NIS or the dollar, and these may influence the Company's operating results and its profitability.

⁵ https://www.gov.il/BlobFolder/reports/macroeconomics-trends-and-forecast-2023-2024/he/Publishes_Reviews_macroeconomics-trends-and-forecast-2023-2024.pdf

⁶ https://boi.org.il/publications/pressreleases/b01-01-24/#_ftn1

However, the Company is acting to partially hedge the risks of exposure to changes in exchange rates of foreign currencies, inter alia, through future transactions to purchase or sell foreign currency. Exchange rate fluctuations constitute a risk factor at the Company. Additionally, the Company has an investment and market risk management policy. For additional details regarding this risk factor and its impact on the Company, see section 33 below.

7.6. General regulatory restrictions

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

The information presented in this section, regarding the general environment and the outside factors influencing the Company's activity, includes information based on the Company's subjective estimates and assessments in light of its past experience, as well as information based on publications and surveys by professional entities in connection with the state of the Israeli economy. The data provided above constitutes estimates only and may not be complete; however, the Company believes that it is sufficient to provide a general, if not precise, picture of the markets in which it is engaged in its field of activity. In light of the above, actual results may differ from the foregoing estimates, including the development attempts described in this section if a change occurs in one of the factors taken into account in these estimates, and/or due to the realization of any of the Company's plans and the external factors specified in this section.

Part Four – Description of the Corporation’s Business by Field of Activity

8. General information regarding the field of activity

8.1. Structure of the field of activity and changes occurring therein

In light of the increased awareness of the harm caused by global warming which has been caused, inter alia, due to the ongoing use of sources of energy based on polluting fuels, the global demand for clean fuel alternatives is increasing. Governments, companies and individuals are encouraging the use of renewable energy resources for various purposes, such as fixed systems and transportation. In October 2021, for the first time in 16 years, the World Health Organization issued stricter guidelines for air quality and regulations pertaining to the concentration of airborne pollutants. In 2020, when most of the world was subject to lockdowns and movement restrictions due to the outbreak of COVID-19, most major world cities failed to meet even the older regulations, which were much less stringent. Each of the 100 largest cities in the world has exceeded the permitted levels in accordance with the new regulations⁷.

Governments have the solutions and tools needed to solve the air pollution crisis and the public health damage it is causing. Even without taking into account the severe economic burden due to air pollution, in most parts of the world clean and renewable energy systems are given preference over sources of energy based on burning coal, oil or gas. Steps that will drastically reduce air pollution around the world, will have a long-term impact on public health and on greenhouse gas emissions, which are worsening the climate crisis.

One of the technologies that will help reduce CO₂ emissions is the fuel cell technology, which uses oxygen and hydrogen to generate energy, with high energetic efficiency and without emitting harmful or polluting substances. The generation of electricity is created as a result of the electrochemical reaction of gasses, with no internal combustion. Therefore, the sole emissions of the process are water and heat, such that the energy generation process is not noisy and does not create pollution and is defined as clean energy.

⁷ <https://www.greenpeace.org/israel/landhalf/49341/%D7%90%D7%A8%D7%92%D7%95%D7%9F-%D7%94%D7%91%D7%A8%D7%99%D7%90%D7%95%D7%AA-%D7%94%D7%A2%D7%95%D7%9C%D7%9E%D7%99-%D7%9E%D7%A0%D7%A1%D7%94-%D7%9C%D7%94%D7%99%D7%9C%D7%97%D7%9D-%D7%91%D7%90%D7%99%D7%95/>

The electrochemical process for generating clean electricity, occurring in the fuel cell, is based on chemical reactions between hydrogen and oxygen. This technology was invented back in 1839 and was revived for the U.S. and Soviet moon programs in the 1960s. In the space programs, the fuel cell was used as a source for generating energy for operating the space craft, for heat and drinking water.

The Company was founded to make this space technology accessible to use on Earth. The vision was to use all of the advantages of this technology, which was used for space travel, while striving to make it dramatically cheaper so that it could serve as a worthwhile replacement for existing energy generation means – as a replacement for polluting diesel engines.

The fuel cells used today, which operate under low temperature, require the use of a very expensive noble metal, platinum, as a catalyst, and use hydrogen at the highest level of cleanliness. The result is a product that is expensive to purchase and operate, and therefore use of fuel cells has not become particularly common.

The Company believes that differently from oil-based products which compete with the Company's products, the use of hydrogen is prioritized, and many countries around the world have issued directives and enacted regulations with the aim of encouraging the use of hydrogen on the one hand, and have enacted regulations making it difficult to use polluting fuels on the other.

In response to the increasing need for energy based on petroleum alternatives, the Company is developing alkaline fuel cells in the configuration of various products which are designed to provide an efficient and reliable solution at a reasonable price for modular backup systems in the existing power grid and generation of electricity in off-grid areas. For additional details regarding the Company's products see 10 below.

8.2. Fuel cell sector

The fuel cell sector has a market of USD 1 trillion in yearly terms⁸.

The forecast of the European Hydrogen Organization is that use of hydrogen as a response for the energy demand will increase to a level of 18% in 2050. This forecast indicates an expected ten-fold increase in the demand for hydrogen (550 million tons per year), and will accordingly generate yearly revenues of USD 2.5 trillion around the world.

⁸ Hydrogen – 15 ways to play the mega-trend – LIBERUN – Global New Energy ESG – 10 December 2019

Hydrogen has good gravimetric energy density (energy content) (ED) and can be produced in a number of ways, from natural gas to water electrolysis. The hydrogen can be stored in flexible manners, over time, thus making the renewable energy more varied.

The Company believes that its solutions constitute significant market opportunities. The size of this market is currently estimated at around USD 150 billion, and it is comprised of 4 rapidly growing market segments: the global UPS (uninterrupted power supply) market, estimated at around USD 7.7 billion in 2017 with an annual growth rate of 4%.⁹

For details regarding the Company's activity in the uninterrupted power supply (UPS) market through the BOX system, which is a continuous backup system providing long-term backup energy to critical sites that cannot bear power disruptions due to the high costs involved, see section 9.2 below.

- (A) The global industrial battery market is expected to reach USD 10.8 billion by 2021 with an annual growth rate of 6%¹⁰.

For details regarding the Company's activity in the market of industrial batteries for electric companies through the REX system – which is a system intended for use in electric companies in transformer stations, as an alternative to the existing battery array, see section 9.2a below.

- (B) The off-grid electricity market constitutes a USD 100 billion opportunity, which can include replacing diesel generators, with a global growth rate of 4%¹¹.

For details regarding the Company's activity in the off-grid market using the FOX system – which is a system in development stages and intended for use in areas lacking electrical infrastructure, see section 9.2 below.

- (C) In Europe, by the end of the current decade, energy demand for electric vehicle charging is expected to multiply by a factor of 23¹², and the entire global electric vehicle charging market is expected to grow to approximately USD 207 billion by 2030¹³. Of this market,

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

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

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

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

¹³ https://www.ey.com/en_gl/energy-resources/as-emobility-accelerates-can-utilities-move-evs-into-the-fast-lane

the Company's systems target a portion estimated by the Company at XX% as they are intended for areas in which the power grid does not exist or does not suffice.

For details regarding the Company's activity in the electric vehicle charging market through the EVOX system – an independent system for the electric vehicle charging segment, see section 9.2.

8.3. Restrictions, legislation, standards and special constraints applying to the field of activity

8.3.1. Business licensing

The Business Licensing Law, 1968 and the Business Licensing Ordinance (Transactions Requiring Approval), 2013, require a business license for any entity working in the field of energy, including storage of hazardous materials (as defined in the Hazardous Materials Law, 1993) ("**The Hazardous Materials Law**"). Accordingly, the Company holds a business license which was issued to it by the City of Petach Tikva on July 2, 2012, for an unlimited period of time.

8.3.2. Safety at work

As part of the research and development processes at the Company's plant, the Company may be subject to work safety laws applicable to the performance of relevant works, and also to subsequent ordinances and regulations, including the Work Safety Ordinance [New Version], 1970 and subsequent regulations and ordinances, the regulations of the Work Supervision Organization, etc., pertaining to aspects of work safety.

8.3.3. Hazardous materials

As noted, the Company's research and production processes involve the use of hazardous materials (as defined in the Hazardous Materials Law), including ammonia. As required pursuant to Section 3 of the Hazardous Materials Law, the Company holds a hazardous materials permit (Number 687892) which was issued by the Hazardous Materials Division at the Ministry of Environmental Protection on February 6, 2022, which is in effect until February 7, 2025.

8.3.4. Standardization and regulations

In spite of the use of hazardous materials, as noted above, in the development and manufacture of the Company's products, the finished product itself is not considered "hazardous" and does not contain any of the hazardous materials which are stored at the Company's plant. In accordance with local and international requirements, the Company holds the following standardization certificates -

8.3.4.1. For the "G5" system:

A. The Israeli Electricity Authority

On December 16, 2020, the Company received a permit from the Israeli Electricity Authority to operate the G5 system for backup purposes in a microgrid configuration (small local networks allowing smart power grid supply) at a critical facility, constituting the first approval of its type in Israel for a hydrogen-powered generator.

B. Ministry of Health

On October 31, 2021, the Ministry of Health issued an approval to operate hydrogen-based fuel cells at the Hillel Yaffe Hospital in a pilot format until the end of 2022.

C. Israeli Standards Institute

Certificate of conformity number 9312331906, dated December 10, 2014, certifying that the Company's "G5" system was tested and meets the requirements of the following standards –

IEC 62282-3-100;

IEC 60950-1/EN 60950-1;

IEC 60204-1/EN 60204-1;

IEC 60335-1/ EN 60335-1;

Certificate of Conformity number 9412322071, dated August 27, 2014, certifying that the Company's "G5" product was tested and meets the requirements of the following standards –

EN 55011;

EN 61000-6-2;

D. The European Union

EU Declaration of Conformity from August 12, 2014, certifying that the Company's "G5" product meets the requirements of the following directives –

Machinery Directive 2006/42/EC;

EMC Directive 2004/108/EC;

Low Voltage Directive 2006/95/EC;

Pressure Equipment Directive 97/23/EC;

RoHS Directive 2011/65/EU;

E. TUV Rheinland

Certificate number 72151545 01 T from July 17, 2015, certifying that the Company's "Fuel Cell Generator G5" system meets the requirements of the following standards –

EN 62282-3-100:2012;

IEC 62282-3-100:2012;

8.3.4.2. For the “BOX” system:

The BOX system and its subsystems were tested and meet the requirements of the following standards –

From the Standards Institute, the EU (for a Declaration of Conformity statement) and TUV Rheinland:

Safety of machinery

- Machinery Directives 2006/24/EC; EMC Directives 2014/30/EU
- EN-ISO 12100:2010,
- EN 349:1993+A1:2008
- EN 842:1996+A1:2008
- EN 1037:1995+A1:2008
- EN-ISO 13857:2019
- EN 60529:1991+A1:2000+A2:2013
- EN-IEC 63000:2018
- EN-ISO 13894-1:2015

Safety stationary fuel cell power systems

- EN-IEC 62282-3-100:2019, EN 62282-3-100:2020

Safety information technology equipment

- EN 60950-1:2006+A11:2009+A1:2010+A12:2011+A2:2013
- EN 60950-22:2019

Electromagnetic compatibility

- EN 55011:2016+A2:2021; EN 61000-6-2:2019; EN 61000-6-4:2018;
CFR47 FCC

Ingress Protection

- IEC60529 (parts 5., 13.4 and 13.5)

8.3.4.3. For the “REX” systems:

The REX system includes components of the G5 and BOX systems, respectively, and the foregoing certificates for the G5 and BOX products therefore apply to these products as well. The REX system and its subsystems were tested and meet the requirements of the following standards –

(A) Israeli Standards Institute

Certificate of Conformity no. 9712319111, dated July 11, 2017, certifying that the Company’s product, “Schaeffer Energy Bridge 130V”, which is an integral part of the REX system, was tested and found to meet surge resistance requirements, in accordance with the following standard –
IEEE STD C37.90.1-2012`

(B) WEGAI Standard Institute, Idaho, U.S.

Certificate of Conformity no. 1312-03, dated May 10, 2017, certifying that the Company’s “REX” product was tested and found to meet earthquake resistance requirements, in accordance with the following standard –
IEEE693-2005 High Performance Level;

8.3.4.4. For the “FOX” system (in development processes)

Before beginning to market the FOX system, the Company will be required to receive certification for the following standards of the European Standards Institute (for a declaration of conformity) and TUV Rheinland:

ISO 16110-1

ISO 16110-2

CSA International Requirement No. 5.99`

ANSI Standard K61.1-1999 S`

8.3.4.5. For the “EVOX” system

The EVOX system is comprised of the Company’s fuel cells and an advanced software program which it has developed to forecast and manage the supply and demand of energy, as well as supplementary products which are provided by various suppliers.

(A) The EVOX system which is marketed in Israel includes components of the BOX products, and the foregoing certificates for the BOX product therefore apply to that product as well. Additionally, the products which are provided by suppliers, as stated above, fulfill the requirements of Israeli standards.

(B) For the installation of the EVOX system in the United States, the Company is required to obtain certification for the following standards from an international standardization body, as specified below:

A. UL1741: Standard for Inverters, Converters, Controllers and Interconnection System Equipment for Use with Distributed Energy Resources

B. UL9540a: Test for fire safety hazards associated with propagating thermal runaway within battery systems.

C. UN3536: LITHIUM BATTERIES INSTALLED IN CARGO TRANSPORT UNIT lithium-ion batteries or lithium metal batteries.

As of the publication date of the report, the Company is fulfilling the requirements of the standards specified in sections A and B above, while in respect of the standards specified in section C above, The Company has completed the required tests, and the Company expects certification for those standards to be received in the first half of 2024.

8.4. Developments in the markets of the field of activity or changes in the characteristics of its customers

More and more governments and investment bodies are starting to work with hydrogen-based products, since hydrogen is, as noted above, a fuel more suited to a world that strives toward zero carbon emissions, as a replacement for fossil fuels.

The potential range of uses of hydrogen includes varied forms of energy use, from the generation of electricity at fixed stations (a replacement for generators), like the Company’s products, fuel for vehicles, heating and industrial processing.

According to the Hydrogen Council¹⁴, the international hydrogen market could reach a value of USD 2.5 trillion by 2050, provide 18% of total global demand for end energy, create 30 million jobs around the world and reduce CO₂ by a billion tons per year.

According to the International Renewable Energy Agency¹⁵, hydrogen presents the possibility of diversifying the global energy mix and reducing emissions. Shell Oil, one of the world's largest oil and gas suppliers, predicts that hydrogen will become the primary energy leader from 2049¹⁶. By end of the 21st century, Hydrogen is projected to supply one quarter of total energy demand for transportation.

Achieving the Hydrogen Council's target requires the investment of approximately USD 25 billion per year by the end of 2030, in order to double hydrogen production, provide an infrastructure for its distribution and equipment such as vehicles powered by fuel cells (FCEV), trains, heating equipment and components whose prices are decreasing.

Around twenty countries, led by Japan, South Korea, Germany, China and the State of California in the U.S., are opening the hydrogen market to expansion via private/public partnerships and designated incentives.

As an example, China has set a goal for itself to install 1,000 hydrogen refueling stations (HRS) by 2030, which will serv over one million vehicles. China is planning, before 2025, to turn the city of Wuhan to a center of hydrogen trade. Additionally, the Japanese government has declared an investment of 20 million in the hydrogen economy in order to meet the goal of zero carbon emissions by 2040. Additionally, the Japanese government is implementing a government plan to connect households to gas cells, with some 300,000 households connected to date. Additionally, it hopes to reach over 900 hydrogen refueling stations before 2030¹⁷.

Accordingly, the Company is working on strengthening its strategic relationship with TDK. For details regarding the strategic collaboration agreement signed with TDK regarding its participation in the Company's participation in the Company's "Green Ammonia" project, intended to develop a product that will allow the production of "green ammonia" (production of ammonia with no CO₂ emissions) at the electricity production point, see section 29.5 below.

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

¹⁵ <https://www.iea.org/fuels-and-technologies/hydrogen>

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

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

In Australia, entrepreneurs and/or bodies backed by government funding are planning major renewable energy products that will produce hydrogen intended for export to Asia¹⁸.

The U.S. is actively encouraging the transition to hydrogen products by granting tax benefits to buyers. The company operates in the United States, through the subsidiary GenCell Inc., directly with potential buyers such as government entities, electricity and gas companies, and also through distributors. In January 2021 the U.S. Government announced that it would be returning to the Paris Agreement and the U.S. government's commitment to meet a goal of zero carbon dioxide emissions until 2050. This announcement strengthens the international commitment to reduce the effect of greenhouse gasses on global warming and constitutes an initial catalyst for green energy producing technology.

In November 2021, the US government passed a bipartisan federal law to expand government infrastructure in the United States, for the purpose of investments in infrastructure and in workplaces – the Infrastructure Investment and Jobs Act (P.L. 117-58) (the “IIJA”). In accordance with the law, a budget of USD 550 billion was allocated to new expenditures over 5 years, of which approximately USD 7.5 billion was for the seven hubs of hydrogen centers¹⁹, as well as an additional plan which was launched, called the NEVI Formula Program, with financing of USD 5 billion. This program is the first main federal program to focus on the national development of infrastructure for charging electrical vehicles. The Nevi Formula plan includes significant tax benefits for buyers of green rapid charging systems, ranging from 20 to 70% of the purchase cost.²⁰

The federal support is causing various North American countries to evaluate new technologies in the fields of green energy and renewable energy, which are able to offer them a complete and comprehensive solution for vehicle charging and renewable energy production. For example, Hawaii has set the target of becoming a state running 100% on renewable energy by the end of 2045, as part of the various initiatives in its efforts to adopt a green energy program for the state. The Company believes that it will be able to increase its capability to grow its market share in this segment, which benefits from a clear need and federal support in the form of tax incentives.²¹

¹⁸ See footnote 10 above.

* <https://www.federalregister.gov/documents/2022/06/22/2022-12704/national-electric-vehicle-infrastructure-formula-program>

¹⁹ <https://www.energy.gov/articles/biden-harris-administration-announces-7-billion-americas-first-clean-hydrogen-hubs-driving>

²⁰ <https://www.fhwa.dot.gov/environment/nevi/>

²¹ <https://energy.hawaii.gov/hawaii-clean-energy-initiative/#:~:text=The%20goal%20of%20the%20Hawai,percent%20clean%20energy%20by%202045> &

https://www.capitol.hawaii.gov/hrscurrent/Vol03_Ch0121-0200D/HRS0196/HRS_0196-0010_0005.htm

In Europe, for example, the EU Commission decided to invest EUR 750 billion in advancing clean hydrogen products, Japan will invest USD 19.2 billion, and Germany has allocated EUR 7 billion²².

The Company operates in a business and corporate governance environment which supports the transition to green energy solutions. More and more companies have begun adopting a hydrogen economy and adopting innovative technologies like fuel cells, and massive investments have been directed towards strengthening hydrogen and ammonia infrastructure and making it more accessible. Interest in the Company's products is increasing from key players in its target markets, mostly including telecom companies, electric companies and electric vehicle charging companies.

The Company believes that the demand for fuel cells in general, and for the Company's products in particular, will increase as more and more companies adopt stricter air pollution policies, along with the incentivization of this step by government and major organizations that will advance investments in infrastructure supporting the distribution of hydrogen and ammonia, making their use cheaper and more reliable.

Electric vehicles are becoming widespread in many countries, and according to estimates and publications around the world, by 2025, 16% of all vehicles worldwide will be electric. This phenomenon already poses a significant challenge to electrical infrastructure.²³ Many investments will be needed in order to meet the demand for electricity during peak hours. The Company is acting to adapt its products to be part of an independent electrical system that will allow electric vehicles to be charged in any place where the power grid is insufficient or does not exist, and thus serve as a replacement for the use of polluting diesel and gas, which are currently the primary response to this need. This development will be based on the Company's advantage in building charging stations that are disconnected from the power grid (autonomous systems).

Regarding products which can serve as an independent source of continuous energy, the Company believes that energy products for on-grid/off-grid green vehicle charging stations, together with the Company's solutions for providing continuous energy, will serve as its revenue backbone in the coming years.

The information presented in this section, regarding developments in markets of the field of activity of changes in the characteristics of its customers, includes information based on the Company objective estimates and assessments in light of its past experience, as well as

²² <https://www.calcalist.co.il/local/articles/0,7340,L-3903891,00.html>

²³ <https://www.theenergymix.com/ev-battery-prices-to-fall-40-by-2025-goldman-sachs-predicts/>

information based on publications and surveys by professional entities. The above information constitutes estimates only, and may not be accurate. Actual results may therefore differ from the estimates specified in this section, if a change occurs in one of the factors which were taken into account in these estimates.

8.5. External technological changes which could materially affect the field of activity

To the best of the Company's knowledge, there have been no material outside technological changes in recent years which could have a material impact on the Company's field of activity. However, the Company is aware of the fact that more and more organizations and companies are investing and developing solutions which are intended to provide solutions for the global energy economy.

8.6. Critical success factors in the field of activity

The Company's field of activity includes a number of critical success factors which affect the Company's activity and status:

8.6.1. **Obligatory regulations** –

Regulation in the field is significant for the Company's success in its field of activity, since obligatory regulations, unlike internal or voluntary regulations, will increase the demand for the Company's products and help the Company penetrate target markets.

8.6.2. **Technologically advanced, high-quality equipment** –

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

8.6.3. **Price** –

The Company believes that the pricing method of the Company's products has a high influence on the extent of entities' cooperation in purchasing the Company's products. The Company believes that decisions in this regard are made, inter alia, as part of an economic perspective, where overpricing could affect the purchase of the Company's products. For details regarding the Company's product costs reduction plan, see section 17 below.

The Company also has an additional series of economic models, including finance and operating leases, mostly for the EVOX product, and the Company also sells various services for maintenance of its products to its customers, including disposable parts. The Company believes that the flexibility in these economic offers will aid in the market penetration of its products and in removing purchase restrictions involving investment in equipment.

8.6.4. **Adaptation of the Company's products –**

The addition of software components which the Company intends to use, including AI-based systems, and the integration thereof into the management and monitoring systems of its customers, will constitute a significant added value offer to the Company's customers.

8.6.5. **Personnel –**

Retaining skilled and professional personnel in the field of activity, is a critical factor in the quality and fitness of the Company's products as well as assistance in penetrating target markets.

8.6.6. **Improvements and technological progress –**

Improving the expertise, knowledge and professional understanding of the most innovative and advanced technology which forms the basis for developing, improving and upgrading the Company's products. Such improvements could also directly influence the Company's future operating results and aid in the penetration of target markets. Additionally, in the event that compatible regulation applies, the Company believes that it will be required to make additional adjustments in order to comply with the foregoing regulation. The Company believes that technological innovations and improvements could increase quality and improve its products' performance, while building simple and user-friendly interfaces to operate the systems of the Company's products.

8.6.7. **Branding –**

The Company believes that a positive reputation for the Company, accumulated over years and due to successful installations of its products, will help the Company brand itself as the leading company in its field.

8.6.8. Identifying new trends in the field –

As this is a field in which success mostly depends, among other factors, on technological innovation capabilities – the Company takes care, and will continue taking care in the future, to identify new trends in the field while maintaining innovation, primacy and distinctiveness.

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

8.7. Changes to the series of suppliers and raw materials for the field of activity

The primary raw materials used to manufacture the Company’s products are: nickel, nickel nets, black carbon (black carbon is comprised of pure carbon in several bonded forms), mechanics, electric and electronic components. As of the Reporting Date, there has been no material change in the set of basic raw materials used to manufacture the Company’s products. The “fuel” (hydrogen and ammonia) which the Company’s customers consume for the operation of its products is provided by major companies with global distribution. The Company believes that the variety of suppliers and their spread ensures the supply of the “fuel” (hydrogen and ammonia). It is noted that Operation Swords of Iron and the Russia-Ukraine War have caused delays in supply chains, due to extended supply times, and also due to constraints in shipping and logistical transport infrastructure. As a result, there may be delays in the recognition of revenue from projects which have already been approved, or even cancellation of the entire project. As part of the Company’s efforts to deal with the potential implications of these trends, inter alia, during the Reporting Period the Company built an assembly line in China with a local supplier. The construction of the production line outside of Israel has allowed responding to the uncertainty in the provision of products to customers.

8.8. Main entry and exit barriers

Entry barriers in the operating market:

8.8.1. Use of groundbreaking technology –

Technological achievements, and adapting products in the field of activity constitute an important component of entry into the field of activity. The Company believes that competitors seeking to enter the field of activity may face real difficulty. The Company believes that protecting its unique technology by taking out patents and protecting trade secrets constitutes an important component which provides the Company a significant advantage in entering the target markets. For additional details, see section 21 below.

8.8.2. Use of noble metals –

Currently, all companies making low temperature fuel cells require the use expensive noble metals in the catalyst for the chemical reaction. This increases the prices of fuel cells.

8.8.3. Price of hydrogen –

The current price of hydrogen is high, due to expensive manufacturing and transportation processes and a limited logistical array (as opposed to gasoline and diesel). In recent years, there has been a trend of recognition, by various governments and organizations, of the need to expand hydrogen infrastructure. For additional details, see section 8.4 above. The Company believes that these investments will significantly lower the price of manufacturing hydrogen and within a number of years the price of hydrogen will be economically viable. At the same time, bottling and transportation costs will constitute 75% of the final consumer cost of hydrogen.

8.8.4. Creating business collaborations –

Increasing the size of the Company's customer base, while creating a product that meets the customer's requirements, collaborations with players that supply products that complement the Company's products which are intended for the Company's target

markets, and particularly for the market of electric companies, telecom companies and electric vehicle charging companies, will help penetrate the Company's potential target markets and the Company's success in those markets. For additional details regarding business collaborations, see section 28 below.

8.8.5. Research and development activity and use of monetary resources –

The Company believes that anyone seeking to enter the market of the field of activity will be required to perform significant research and development actions in order to develop its products, which will require the use of significant monetary resources, as well as high-quality personnel. A critical entrance barrier is the presence of capital needed to finance R&D activity, whether via equity or via raising bank financing or non-bank financing.

8.8.6. Knowledge, professional experience and the existence of skilled personnel –

Implementation of the processes in the Company's field of activity requires knowledge, appropriate professional experience and skill, including understanding and recognition of the regulatory provisions and arrangements applicable to the Company's field of activity.

8.8.7. Expertise –

Derives from the need to develop unique products, knowledge and technological infrastructure in the area in which the Company operates, which involves major investments in research and development.

8.8.8. Reputation –

The Company's field of activity is characterized by conservative customers, who demand reliable and high-quality products.

Exit barriers in the operating market:

8.8.9. Product warranty –

The Company provides variable warranties for its products, starting from the product's installation date. The Company's obligation to provide warranties could constitute an exit barrier in the field of activity.

8.8.10. Long-term engagements –

Company management believes that long-term engagements with customers will require a long-term commitment to support products.

8.9. Competition in the field of activity and alternatives to the Company's products:

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

9. Products and services

9.1. The Company's activity is development and manufacture of alkaline fuel cells, which operate using technology based on alkaline chemistry, in response to the increasing need for energy based on oil replacements. As of the publication date of the report, the Company is focusing its activity on three main markets: **the electric companies market, the telecom market and the electric vehicle charging market**. In all three of these markets, the Company has identified a problem or need for which it provides a value offer, in the form of an appropriate product.

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

The fuel cell generates a direct current and can be used for various applications, such as electrical backup for various systems surrounding us that rely on a constant and stable power supply, as well as providing continuous power to areas that are not connected to electrical infrastructure or which receive electricity only some hours of the day. Additionally, fuel cells

are becoming a larger and larger party of the auto industry as a clean and long-term solution for powering vehicles. Fuel cell technology is considered an important element in helping decrease CO₂ emissions and in helping to meet CO₂ emissions targets.

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

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

The Company has invested significant efforts in research and development, and has reached a breakthrough in completing development of the catalyst, which is not based on noble metals, including palladium. The new catalyst developed by the Company constitutes a cheap replacement for a catalyst based on noble metals. The catalyst is patent protected in a number of places around the world. For additional details, see section 20.1 below as well as an immediate report published by the Company on March 9, 2021 (reference no.: 2021-01-029763). The above constitutes inclusion by way of reference.

The technology which has been developed by the Company allows supplying electricity as backup for the ordinary electricity system, particularly in critical locations of various organizations, in order to guarantee functional continuity. The technology developed by the Company allows supplying electricity in areas where the power grid does not exist, or exists only partially (for just several hours per day). The Company's technology allows the production of clean electricity in areas that have been disconnected from the power supply while supplying green electricity and in most countries, operational savings vs. internal

1. Award from the consulting firm Frost & Sullivan:

Recognizes GenCell Ltd. With the 2019 Europe Enabling Technology Leadership Award.

2. Award from the umbrella organization of global cellular companies, GSM:

GSMA Recognizes GenCell as the Joint Winner of the GLOMO 2019 Green Mobile Award for the GenCell A5.

3. Award from international organization GSC 2000, which selected the company out of hundreds of start-ups:

Global Startup Challenge 2020 awards GenCell 1st place in the Homeland Security sector and 2nd place overall.

4. The “Rising Star in Hydrogen Field” award in the Hydrogen Future Awards 2023, held in Dubai

GenCell wins the “Rising Star in Hydrogen Field” award in the framework of the Hydrogen Future Awards 2023, presented at the Connecting Green Hydrogen MENA conference held in Dubai in April 2023.

9.2. As of the publication date of the report, the Company markets and sells three products which it has developed, as follows:

A. “REX”-

A system intended for use by electric companies to supply backup power, and which was developed according to the requirements of a leading electric company in California, U.S.A. The product has been certified under all of the standards required for operation at electric companies and in high voltage environments (500,000 volts), including complying with the strictest information security standards in the United States. The system supplies dual exit voltage: 48 and 130 VDC. The fuel for this product is hydrogen gas. The system is designated for the energy and electricity infrastructure market and complies with the required standards. The Company intends to launch the REX system line of products in the first half of 2024.

B. BOX -

The system supplies long-term backup energy to critical sites and to telecom sites based on the Company's fuel cell technology. The BOX system has an output of 5 KW, with a long-term backup capability in extreme weather conditions, particularly in especially cold regions where functional continuity is important. The BOX system can be installed quickly and efficiently on a plug and play basis. Over the course of its work, the BOX system generates clean energy with no CO₂ signature, no vibrations and no noise upon operation. Through GenCell Gemes IOT Edge, which was developed in the Company and implemented in all BOX systems, the BOX system interfaces with energy management systems based on standard telecom energy management system protocols. The BOX system has the following advantages: a. a 25% smaller footprint than the G5 system; b. the ability to operate in outdoor conditions; c. a significant decrease in the price of an individual product, while maintaining the product's level of performance.

It is noted that during the Reporting Period, the BOX system replaced the Company's G5 system, the marketing and sales of which were discontinued, which served as a continuous backup system providing long-term backup power with an output of 5KW to critical sites in the economy that cannot bear power disruptions due to the high costs involved.

C. EVOX -

The EVOX system is a hybrid, autonomous product based on a combination of the BOX units and a storage unit, which is capable of generating electricity independently of the power grid and alternate sources of energy, and with no emissions. The EVOX constitutes a solution that ensures energy availability for charging electric vehicles at all hours of the day regardless of the availability of the power grid. The EVOX system provide a response for the increasing demand for autonomous electric vehicle charging stations, in places where the power infrastructure is insufficient or does not exist, and allows an increase in the charging capability of a larger number of electric vehicles. The EVOX system also allows the provision of backup electricity during power outages. The system is mobile, and can be transported to disaster zones in order to provide electricity to search and rescue personnel.

The Company completed the development of the first version of the EVOX energy management software. Gems offers the ability to manage various energy sources, in order to increase the efficiency of use and reduce operating costs, while providing tools and knowledge to understand cost vs. demand at any given moment. For additional details regarding the submittal of a patent request for the development of this software, see section 20 below.

During the Reporting Period, the Company focused on activities towards the sale of the EVOX system. This process is intended to establish the Company as a leading supplier of EVOX systems for electric vehicle charging, while adjusting the product to the market's characteristics. As part of these efforts, the Company promoted the required standards, and created several business partnerships with companies interested in marketing the EVOX to their customers, including installation at one of the mobile centers in the United States.

On March 29, 2024, GenCell Inc. received an order from the University of California, Los Angeles (UCLA) to rent the EVOX system for a period of 3 years, which will be the first installation of this product in the United States. The installation of the system at UCLA is intended to resolve the shortage of electricity solutions for electric vehicle charging, and to provide electricity backup and emergency operations on campus. Following the installation of the system at UCLA, the Company intends to make the site a demonstration site in the United States for potential customers of the Company. The Company believes that the installation of the system at UCLA has central importance in the ability to present and demonstrate the profitability and value which the system offers to electric vehicle charging providers in the United States, to vehicle fleet managers, and to electric companies in the United States, and thereby to promote additional engagements with potential customers in the American market. The Company expects this installation to be completed during the first half of 2024.

The information presented above, inter alia, regarding the success of the system's installation, and the promotion of additional engagements with potential customers in the American market, constitutes forward looking information, as this term is defined in the Securities Law. Forward looking information is based on the information which is available to the Company, and includes estimates, approximations or intentions of the Company, which are not exclusive under the Company's control as of the date of this immediate report, and actual results may not materialize, in whole or in part, or may materialize differently from the Company's foregoing predictions.

10. Segmentation of revenue and profitability of products and services

The following is data on the breakdown of the Company's revenues from products the rate of which constitutes 10% or more of the Company's total revenues in 2022-2023:

<u>Product name</u>	<u>For the year ending December 31, 2023</u>		<u>For the year ended December 31, 2022</u>	
	<u>Revenue in thousands of USD</u>	<u>Rate of total Company revenues</u>	<u>Revenue in thousands of USD</u>	<u>Rate of total Company revenues</u>
BOX system (including related services)	337	7%	1,060	14.3%
EVOX system (including related services)	276	6%	5,491	74.2%
REX system (including related services)	4,251	87%	852	11.5%

11. New products and developments

11.1. FOX

A system for supplying electricity continuously and over time, intended for off-grid locations. The Company is continuing its development and testing efforts in the laboratory and in sites exterior to the Company's sites using a hydrogen "cracking" system produced by ammonia as a liquid fuel which allows converting the ammonia into a clean and cheap source of hydrogen. This development essentially allows the construction of a mini power plant which allows long periods of time between refueling in isolated, off-grid areas.

The Company's FOX system, which relies on ammonia as a source of fuel, has uses in many areas, starting from power supply systems for telecommunication, borders, off-grid schools and clinics, as well as completely independent electric vehicle charging stations that can be placed independently of the availability of the power grid. It is noted that as of the publication of the report, the FOX system is in advanced development stages.

The Company, together with Deutsche Telecom, conducted a field trial of the FOX system in Israel, based on benchmarks which were determined between the parties, in which the FOX system was tested in a continuous period of operation, and under a gradual series of loads. For

additional details regarding the strategic collaboration agreement with Deutsche Telecom, see section 28.4 below. In light of the insights from these trials, the Company is continuing the development and maturation of the ammonia-based FOX system. As part of the conclusions which arose from the field trials, the Company decided to split the development plan such that the development of the FOX system will continue, but instead of providing 5kWh, it will provide 10kWh.

The Company is also promoting the development of an independent ammonia cracking unit (ACU), for the independent extraction of hydrogen from ammonia. In light of the fact that ammonia is a leading hydrogen carrier, this development will allow the Company to connect to all possible hydrogen consumers, who will have the opportunity to receive hydrogen at a competitive price, thanks to the Company's ability to extract hydrogen from ammonia.

However, and despite the success of the trial which was conducted on the FOX system, the Company expects the launch of the FOX system to take place in the first quarter of 2026.

11.2. OX

The Company has identified an increasing demand for fuel cell-based technological applications in the global energy production and supply market of 10 KW or higher, in the use of ammonia as fuel. During the Reporting Period, the Company invested in new development of fuel cells with a greater output in the 10 KW range. These new fuel cells are based on a new fuel cell "module" called High Power.

The fuel cell "module" is the core of the Company's technology and its intellectual property. The purpose of the development is increasing the energy density of the "module" while maintaining, as much as possible, existing size and weight data. In simple terms, receiving twice the output at the size and weight given today while decreasing the cost of a KW unit. The Company will strive to use the development of the new "module" as a springboard for the development of applications which will require higher outputs.

During the Reporting Period, the Company continued promoting the intensified development of OX, which will allow it to expand its array of offered systems in its operating markets to a capacity of 10KW and above, and also to enter new markets in which it is not currently engaged. This system is being developed in accordance with the Company's plans, and during

the Reporting Period the planning and development of a prototype was completed, including the development of a new fuel cell based on a new electrode with significantly higher energetic efficiency than the current electrode, and which will thereby allow the Company to offer a system with a better cost to kilowatt ratio. The OX system is operating in the Company's laboratories as part of the development program. In 2024, the Company will continue the process of developing the OX system, and will complete a prototype which is intended for integration into an ammonia-fueled product. The Company believes that the addition of the OX system to the series of offered solutions will expand the series of solutions in the markets where the Company is engaged.

11.3. **Green ammonia -**

The Company is also developing capabilities in the field of chemical energy storage by developing a unique process for manufacturing green ammonia (manufacturing ammonia with no CO₂ emissions). The ammonia market is currently estimated at an additional USD 100 billion.²⁵ Use of ammonia constitutes a key component of the Company's vision, seeking to make electricity availability clean and cheap. Producing industrial ammonia is based on a known process known as the Haber-Bosch process, which is based on the use of natural gas as the raw material for ammonia production. This process is currently responsible for the production of most of the world's ammonia. On the one hand, it ensures a continuous supply of ammonia for agricultural and industrial purposes, while on the other hand, this manufacturing process is responsible for 2% of all global CO₂ emissions.

Beginning in 2021, the Company began developing a process of producing green ammonia through an environmentally friendly process, with the source of energy for producing ammonia being excess energy currently created in solar fields and water. The Company has filed a patent application, which is in evaluation and registration stages as of the publication date of the report.

In 2021, the Company engaged in a strategic collaboration agreement with TDK, in which they invested in the project, for the purpose of continuing its development (for additional details,

²⁵ Presented by Hydrogen Europe Association. Hydrogen Logistics Webinar 06 10 2021

see section 28.2 below). As part of the project, in 2022 the Company achieved a significant technological breakthrough, which allows the production of green ammonia directly from water under very low pressure and temperature relative to the ammonia production processes which are currently known around the world.

During the Reporting Period, the Company continued its efforts in the field of green ammonia production, and the Company reached the stage of green ammonia production in its laboratories, after concluding the development and creation of a low-scale alpha prototype, which is functional and operating at the Company's laboratories.

The Company focused its development efforts on increasing the amounts of ammonia produced in the system, in accordance with its work plan. As part of these efforts, the Company has achieved significant progress in the development processes, and the Company has succeeded in achieving faradaic efficiency of 50% in the chemical reaction in the production of green ammonia, as compared with approximately 25% in the traditional method²⁶, by developing new methods and techniques to overcome the most challenging stages of the nitrogen reduction reaction (NRR) process, which could eventually allow the Company to produce green ammonia at a lower cost than the currently existing alternative. The Company has filed a patent registration application, which, as of the publication date of the report, is in evaluation stages. For additional details, see the Company's immediate report dated November 19, 2023 (reference number 2023-01-125163). The above constitutes inclusion by way of reference.

The Company believes that developing this technology may change the Company and allow it to become not only a supplier of end products but also supply fuel and/or the technology for the manufacture of fuel (green ammonia) for the fuel cell market that consumes ammonia, and for other ammonia consumers such as in agriculture and industry, in a period of between 5 and 10 years. The Company believes that the capability achieved within the framework of the development of the catalyst unique to the Company in which a direct process takes place of converting water to ammonia with no need for an expensive electrolysis process as part of the process for the development of green ammonia it launched along with TDK, will allow the

²⁶ <https://pubs.acs.org/doi/10.1021/acseenergylett.0c00455>

Company to enter the future fuel market with a unique competitive advantage. The Company believes that the increasing use of ammonia for various purposes, from agriculture, through the semiconductor industry, to decentralized electricity production, will develop the possibility of offering green ammonia production technology at the point of use. This solution will allow the Company to offer to its customers a comprehensive solution including production of the fuel (green ammonia) through the use of natural resources, including sunlight, air and water. This fuel will serve as a completely clean source of energy for the generation of clean electricity using the Company's fuel cells. The Company also estimates that insofar as it will succeed in developing the technological capability to produce green ammonia, it will have the possibility to enter the ammonia production market, which was estimated in 2019 at approximately 180 million tons, and in a financial scope of over USD 100 billion²⁷. The Company intends to use this technology in a manner which will allow the production of green ammonia (the fuel) for the Company's customers at the electricity production point, resulting in savings of the entire logistics activity involved in bringing and storing ammonia in the sites where the Company's fuel cells are located.

As of the Reporting Date, the green ammonia project is still in development stages, and this activity does not constitute an independent field of activity. The Company evaluates from time to time the resulting consequences and options which are available to it in connection with this project.

11.4. **GEMS system** -

During the Reporting Period, the Company completed the first milestone in the development of the software program called GenCell Gemes EDGE IOT (GEMES - GenCell Energy Management System), a unique program for monitoring and managing the emergency backup energy array. The system is based on remote reading of all of the generator's components, electric loads, the attached critical systems, computer systems, and all critical systems, all in real time. The system evaluates the system's availability and the remaining amount of hydrogen, and can identify unplanned energy consumption that may be greater than existing energy reserves and issue real-time alerts. The system can provide users with the backup situation at any given time and allow the transfer of energy. The system has an industrial communications interface with high cyber survivability, the ability to communicate with all types of network consumers connected to the backup systems. During the Reporting Period,

the Company began implementing this software in most of GenCell's systems which are installed in the field.

The Company is continuing its efforts in the development of a software program for monitoring and optimization of the EVOX system - GEMS, which offers reduced OpEx and upgrading the user experience, in advanced development; This software program, which manages the energy regime of the EVOX, will guarantee energy availability, low energy costs, and integration with AI systems, thereby allowing forecasting and automation of the EVOX's energy production system.

The Company believes that due to the multiple sources of energy currently in use (solar, wind, fuel cells, batteries, etc.), the resources and energy consumer management program (GEMS) will have a significant impact on customer decisions in the future when choosing a supplier of rapid charging systems in areas with grid difficulties / off grid areas, and it will therefore continue to improve and invest in the GEMS energy management program in the foreseeable future as well. The Company is continuing to adjust its monitoring and IoT systems to interface with the monitoring systems of its customers.

11.5. **High Power EVOX** -

Based on the Company's activity in the electric vehicle charging market, the Company concluded that insofar as the trend of electricity shortage intensifies, there will be space in the market for a product with greater independent electricity production capabilities than the current EVOX, which has an independent electricity production capacity of around 20kWh. The Company therefore decided to dedicate efforts to the development of the High Power EVOX, which will include capabilities of the EVOX product with a fuel cell capable of producing energy of at least 50kWh. The Company has contacted fuel cell producers which meet its requirements, and is considering its future actions.

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

12. Customers

Section	Customer name	Total revenues recognized in the financial statements for 2023	Total revenues recognized in the financial statements for 2022	Percentage of the Company's total revenues in 2023	Percentage of the Company's total revenues in 2022	Description of the customer and the engagement
(1)	CFE	577	852	12%	12%	<p>In 2020, the Company won a tender conducted by CFE for the supply and installation, in the initial stage, of 37 of the Company's REX systems, adapted for operation in transformer stations (the "Systems") as well as installation, maintenance and warranty services for two years beginning from the completion of the systems' installation (the "Tender"). For the purposes of the tender, the Company entered into an agreement with a local partner in Mexico, in which it was decided that the Company would be responsible for providing the systems and that works connected to the installation and maintenance for the systems and their ongoing treatment, would be carried out through the local partner and not through the Company, and they would bear the expenses for the provision of these services Accordingly, the total proceeds from the systems in question amount to approximately USD 5.8 million, of which the Company is entitled to receive a total of approximately USD 3.8 million in respect of the provision of the systems, training the local partner's employees, and supporting the local partner throughout the service period.</p> <p>In the second stage of the tender, CFE exercised its right and increased the number of systems by 37 additional systems, such that the total proceeds in</p>

Section	Customer name	Total revenues recognized in the financial statements for 2023	Total revenues recognized in the financial statements for 2022	Percentage of the Company's total revenues in 2023	Percentage of the Company's total revenues in 2022	Description of the customer and the engagement
						<p>respect of both stages of the tender amounted to a sum of approximately USD 11.6 million, of which the Company's share is approximately USD 7.3 million (a total of approximately USD 3.5 million is in respect of the additional systems which were purchased in the second stage). The Company has provided all of the systems to CFE, and has completed the inspection thereof in accordance with the tender. It is noted that due to delays in the installation of the systems, CFE deducted a sum equal to 10% of the total proceeds of the Tender, such that the total proceeds to be received by the Company within the framework of both stages of the tender amounts to approximately USD 6.75 million.</p> <p>Within the framework of the agreement, it was agreed that the local partner would collect all of the payments in respect of the tender directly from CFE, and transfer to the Company its share, as noted above. As of the publication date of the report, the local partner has transferred to the Company a total of approximately USD 6 million.</p> <p>As part of the preparations for the tender, the Company provided the local partner with loan bearing 5% yearly interest, and as of the Reporting Date, the balance of the loan amounted to approximately USD 1.9 million. On November 1, 2022, the Company and the local partner signed an agreement to arrange the debt and spread the payments for the loan, which will be paid no later than April 1 2025, in accordance with</p>

Section	Customer name	Total revenues recognized in the financial statements for 2023	Total revenues recognized in the financial statements for 2022	Percentage of the Company's total revenues in 2023	Percentage of the Company's total revenues in 2022	Description of the customer and the engagement
						<p>the clearance board which was determined. As of the Reporting Date, the provision for expected credit loss in respect of this loan amounts to approximately USD 1.9 million.</p> <p>Also in accordance with the terms of the tender, the Company has provided bank collateral in the amount of USD 1.2 million, which should be released in 2024. For additional details, see Note 15 to Chapter C of the Periodic Report, as well as the Company's immediate reports from December 20 2020, May 10, 2021, May 11, 2021 and August 17, 2021 (reference nos.: 2020-01-137091, 2021-01-081384 2021-01-082731, and 2021-01-066232, respectively). The above constitutes inclusion by way of reference.</p>
(2)	GENCELL ENERGY DE MEXICO, S. DE RL.DE C.V	3,674	-	75%	-	<p>In December 2023, the Company's local partner in Mexico won another tender of CFE to supply, deliver and install dozens of systems which are intended to back up electrical systems at transformer stations, and to supply related services, for a period of two years beginning from the date when the installation of the systems has been completed (the "Additional Tender" and the "Terms of the Additional Tender", as applicable), and accordingly, the Company and the local partner engaged in an agreement to provide dozens of the Company's REX systems (the "Systems") to the local partner, in accordance with the terms of the additional tender (the "Agreement").</p> <p>In accordance with the agreement, the Company is responsible for supplying and shipping the systems,</p>

Section	Customer name	Total revenues recognized in the financial statements for 2023	Total revenues recognized in the financial statements for 2022	Percentage of the Company's total revenues in 2023	Percentage of the Company's total revenues in 2022	Description of the customer and the engagement
						<p>and for providing support services to the local partner, throughout the warranty period which was determined in the additional tender, for a total consideration of approximately USD 4.5 million (the “Current Order Amount”), which is expected to be received in several installments, by the end of the first half of 2024. As of the Reporting Date, the Company has collected a total of USD 3 million from the Mexican partner, and has recognized revenue in respect of this order in the amount of approximately USD 3.7 million.</p> <p>In accordance with the terms of the additional tender, CFE is entitled to order dozens of additional systems, up to the current order amount, under the same terms as the terms of the additional tender, within 6 months. As of the publication of the report, an order to increase the amount has not yet been received. For additional details, see Note 15D in Chapter C of the Periodic Report, and the Company's immediate report dated December 17, 2023 (reference number 2023-01-136731). The above constitutes inclusion by way of reference.</p>
(3)	EV Motors	276	5,891	6%	80%	<p>Within the framework of the cooperation agreement with EV Motors, a subsidiary under its control purchased BOX systems of the Company, for a total of USD 400 thousand, in respect of several BOX systems and related services. The systems and services were provided in the first quarter of 2022. This amount has been collected in full. Additionally, in 2022 EV Motors acquired, through a subsidiary</p>

Section	Customer name	Total revenues recognized in the financial statements for 2023	Total revenues recognized in the financial statements for 2022	Percentage of the Company's total revenues in 2023	Percentage of the Company's total revenues in 2022	Description of the customer and the engagement
						<p>under its control, additional fuel cell systems of the EVOX™ type. The consideration in respect of the sale of the Company's systems, as stated above, amounts to USD 5 million, plus VAT. In the fourth quarter of 2022, the order was increased and updated to a total of approximately USD 5.66 million.</p> <p>In 2022, the Company provided all of the EVOX systems and part of the infrastructure equipment for several sites, and recognized revenue in respect of this order in the amount of approximately USD 5.25 million. As of the publication date of the report, the Company has collected a total of approximately USD 2.8 million (including VAT).</p> <p>Additionally, in accordance with the understandings between the parties, revenue will be recognized from the planning and construction services of various projects which include its systems, according to the rate of progress on the project and the provision of services to the various sites according to the "Cost+" model. In 2022, the Company recognized income in respect of this order in the amount of USD 238 thousand, and as of the Reporting Date, it has recognized an additional total of approximately USD 276 thousand.</p> <p>As of the Reporting Date, the balance of debt of EVM and the corporation which is in stages of negotiating to acquire the ownership of EV Motors (the "Buying Corporation") amounted to a total of approximately USD 3,722 thousand, after deducting a provision for</p>

Section	Customer name	Total revenues recognized in the financial statements for 2023	Total revenues recognized in the financial statements for 2022	Percentage of the Company's total revenues in 2023	Percentage of the Company's total revenues in 2022	Description of the customer and the engagement
						<p>expected credit loss in the amount of approximately USD 630 thousand.</p> <p>For details regarding a claim which was filed by the Company against EV Motors and against the buying corporation, in connection with the repayment of the entire existing debt in respect of the purchase of the Company's systems, in which the parties reached a payment arrangement in respect of the entire debt owed by EV Motors and the buying corporation, see Notes 15 and 31 to the Periodic Report.</p>

12.1. The Company believes that its future customers could include, among others, electric companies, telecom companies, entities and organizations interested in the construction of electric vehicle charging stations, as well as companies and areas that cannot withstand extended power outages, and which are interested in transitioning to continuous, CO₂ emissions-free, backup solutions. The Company is working and intends to continue offering business collaborations, within the framework of which it will sell and market its products through companies that are already active in the intended markets with complementary products.

Although those customers were significant customers of the Company during the years 2022 and 2023, as applicable, the Company believes that it is not dependent on any of them.

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

13. Marketing and distribution

The Company has begun controlled marketing of its products among strategic players in the target markets. The Company has a marketing, business development, customer support and sales teams which are mostly located in Israel, and also through GenCell Inc. in the United States, which markets the Company's products in the United States. The Company also has presence in Europe and in Central America. The Company works with end customers to sell its products directly. Additionally, the Company works together with distributors and strategic partners. The Company believes that in order to create significant sales, it will be forced to continue investing and establishing its extensive knowledge among salespeople in the distribution channels and even present its products to potential customers itself.

As part of various pilot projects, for the purpose of the market penetration of the Company's products, products of the Company have been installed at various customers, such as FE, Deutsche Telekom Delta, Horizon Power SDG&E Vodafone, ATCO, SimTel TEAM, Aicox Soluciones,

Hillel Yaffe Medical Center in Israel, the Israeli Electric Corporation and additional customers. The Company's installed systems have so far displayed functionality at high levels of reliability under extreme weather conditions, at high altitudes and even during earthquakes.

Furthermore, a survey which was conducted by McKinsey²⁸ in 2022 indicated that energy demand for electric vehicles in the American market is expected to grow from 11 TWh in 2021, to 230TWh in 2030. This demand is creating an enormous challenge for the American power grid, leading American legislators to allocate the tremendous sum of USD 375 billion to the distribution of charging infrastructure in public locations and along highways, including the prioritization of green technologies in general, and hydrogen in particular. To encourage the implementation of these systems, the rate of support can reach 50%-80% of the investment in some states. The Company views the foregoing needs and activities as a rich opportunity for the Company, and is therefore increasing its commercial efforts in this market. Accordingly, beginning in July 2023, the Company began focusing its marketing and sale efforts on the American market through GenCell Inc. based on the Company's belief that this market presents significant growth potential, due to, inter alia, the weakness of the power grid, increasing use of electric vehicles at high rates, tax incentives and investments to encourage green energy infrastructure. For the purpose of leading this process, the Company recruited a local sales and support team with experience in this market. As part of the above, the Company is expanding its collaborations, inter alia, with energy companies, in order to establish its position in the American market, and increase the base of potential customers, and its ability to provide services to its customers. The most recent partners include several American companies with extensive distribution, including Instant On, Plemco, Western Pump and Energy One.

As part of the Company's marketing and sales efforts in the U.S. market, and in order to ensure the Company's competitive advantage in the U.S. domestic market, the Company entered into framework agreements for a strategic collaboration with Linde Gas and Equipment Inc., an American industrial company, which is engaged, inter alia, in supplying hydrogen (for additional details, see section 28.7 below), and companies which are engaged, inter alia, in the integration of

²⁸Building the Electric Vehicle Charging Infrastructure America Needs, Philipp Kampshoff, Adi Kumar, Shannon Peloquin, and Shivika Sahdev

McKinsey & Company, 2022

energy solutions and systems, and related services, including Turtle & Hughes Inc., Techflow Inc., and INF Associates. In accordance with the agreements, the parties will cooperate on the formulation of a plan for the marketing and sale of its various products to customers in the partners' target market, including government entities, authorities and electric companies.

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

14. Order backlog

14.1. Presented below is a description of amount of revenues expected to be recognized from the current order backlog by periods, as of the Reporting Date and proximate to the publication date of the report (in thousands of USD):

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2025	2026	Total
As of December 31, 2023	735	118	65	183	260	-	1,361
Order backlog immediately prior to the publication of the report	735	322	65	183	260	-	1,563

The order backlog was segmented into future quarters and years based on the Company's best estimates, based on data and information which were available to it as of the publication of the report, and constitutes forward-looking information, as defined in the Securities Law. This information may not be realized in the event of delays in the timetables set for transactions and for the supply of products, that are not dependent on the Company or in the event that conditions for recognizing revenues for their supply have not yet vested.

14.2. The order backlog as of December 31, 2023 amounted to a total of approximately USD 4.2 thousand.

15. Competition

According to the estimates of leading analysts, the financing economy will constitute one fifth of the final demand for energy by 2050 with a constant increase in demand for financing to a value of USD 2.5 trillion in revenues²⁹. The global fuel cell-based generator market has increased by 4% since 2014, and is expected to grow by a yearly average of 21% by 2025³⁰.

According to industry estimates, the static fuel cell market is expected to grow by over 22% in 2018-2022³¹, while the total fuel cell market (static and mobile) has experienced an annual growth of over 15% and is expected to reach a market share of USD 33 billion as early as 2027³².

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

It is noted that most fuel cell technology is currently based on PEMFX technology (proton exchanging membrane fuel cells³³), followed by SOFC (fuel cells operating at high temperatures and using methane gas (CH₄) as fuel³⁴).

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

²⁹ <https://www.businesswire.com/news/home/20180507005557/en/Global-Stationary-Fuel-Cell-Market-2018-2022-to-Post-a-CAGR-of-over-22-Technaviomarket.html>

³⁰ <http://www.fuelcellindustryreview.com/archive/TheFuelCellIndustryReview2018.pdf>

³¹ <https://www.businesswire.com/news/home/20180507005557/en/Global-Stationary-Fuel-Cell-Market-2018-2022-to-Post-a-CAGR-of-over-22-Technaviomarket.html>

³² <https://www.bloomberg.com/press-releases/2020-03-12/fuel-cell-market-size-worth-33-09-billion-by-2027-cagr-15-5-grand-view-research-inc>

³³ <https://www.sciencedirect.com/topics/chemistry/proton-exchange-membrane-fuel-cells>

³⁴ <https://www.bloomenergy.com/blog/everything-you-need-know-about-solid-oxide-fuel-cells>

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

The Company believes, based on its understanding of the market and its ties with its current and/or potential customers, that its advantages over its competition are mainly in its compatibility with target markets (electric companies, electric vehicle charging and telecom), and the technology's durability and reliability. The Company is implementing several processes which it believes will result in adaptation of the products for the target markets and reduce product manufacturing cost, allowing it to present its products with competitive prices as well in the near future.

in the second half of 2023, the Company developed the GEMS software, a program for monitoring and optimizing the operation of the EVOX system, which will allow reducing the current expenses associated with that product, and improve the user experience. It is noted that, at this stage, considering the 36% reduction of costs in respect of the BOX system (which is the basis for all of the other products) in 2023, and despite the fact that the Company's products are manufactured in relatively small quantities, the prices of its products relative to competing products are in the competitive price range. At the same time, the Company also has continuing plans to significantly reduce the costs of the various products, which it believes will help to make the prices of the Company's products even more competitive.

All of the Company's products generate clean energy with no CO₂ signature. The Company's products which are developed in the Company's facilities, and which are intended for installation at isolated sites, can operate off a 12-15 ton ammonia tank continuously for an entire year, while with the competing DMFC technology, it can operate off a methanol tank of up to 1 ton, thus requiring monthly refueling (when operating 24/7). It is also emphasized that the use of methanol is not clean, and creates CO₂ emissions, while at sites in which the FOX system is installed, the frequency of fuel supply can be minimal, as little as once per year, thus achieving significant operational savings, and of course, the use of ammonia for the production of completely clean electricity.

In respect of the FOX product, the Company believes that the system's future ability to operate on cheap fuel (ammonia) relative to the other fuels used by alternate products will serve as a crucial element in the Company's ability to sell it. The estimated cost of generating electricity from the FOX product is expected to be lower than the cost of electricity generation from hydrogen fuel cells, and even to compete with the cost of electricity generation from diesel generators in many countries around the world.

The Company believes that the technological value the Company will be able to present with the FOX system could allow it to compete in the future not just in the fuel cell market, but also in the diesel generator market, which is the dominant technology in the field today. The FOX product is designed to present a green solution with minimal maintenance, and could therefore give the Company a potential competitive advantage.

There are a few players in the market who are focusing on developing generators based on alkaline fuel cell technologies in addition to the Company, one of which is AFC Energy, which to the best of the Company's knowledge is in advanced stages of product development.

The global market of fuel-cell based generators was estimated at USD 10 billion in 2019, with a yearly growth rate of 15% for coming years (2027)³⁵. The demand for clean energy sources serves as a key catalyst. Government involvement around the world for adopting clean sources of energy by providing assistance such as assistance with research and development, toughening regulation against pollution and regulation encouraging clean energy sources creates a business framework that is comfortable for investments in this sector.

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

³⁵https://www.grandviewresearch.com/industry-analysis/fuel-cell-market?utm_source=abnewswire.com&utm_medium=referral&utm_campaign=Rohit_Aug01_cmfe_fuel-cellRD1&utm_content=content

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

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

✓ Use of capital expenses in the absence of need to use in noble metals –

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

✓ Savings in operational costs as a result of use of hydrogen produced from ammonia –

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

✓ Humidity –

The membrane in a fuel cell using PEM technology is negatively influenced by high humidity levels (creates excess water) or low ones (the membrane dries out), with these often conditional on the general operating temperature of the fuel cell itself.³⁶ On the other hand, the Company's products can withstand humidity levels of 90%.

✓ Temperature –

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

³⁶ <https://www.researchgate.net/scientific-contributions/2083722851-Luis-Alberto-Martinez-Riascos>

✓ Price advantage –

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

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

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

16. Seasonality

The Company believes that seasonality is not expected to have a material impact on its monetary results, since the Company's products are not influenced by weather conditions. The Company's products work in any weather, cold or hot, and under extreme humidity conditions. They thereby ensure energy continuity for customers under all weather conditions.

17. Production capacity

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

The Company is working on preserving the production of the core technology by the Company only, in order to preserve the intellectual property assets embodied in this part. Other parts of the product that do not bear any intellectual property and do not require expertise and do not contain the Company's core technology are manufactured by various countries in Israel and abroad, including on the assembly line which the Company developed in China at a local supplier.

The Company intends to increase the production line in several stages and in accordance with the Company's current needs to ensure extensive serial production, with the intention of transferring major production components to outsourcing.

Additionally, during the Reporting Period the Company increased its operational efforts to strengthen and increase the efficiency of its production line in order to allow it to fulfill the Company's production forecast, and implemented an inventory policy which guarantees raw materials and items for continuous supply, in order to address the shortage of raw materials and global logistical problems.

As part of the Company's preparations for future orders, and as part of the overall approach to the future method of production of the Company's products, and the intention to reduce their cost, during the Reporting Period the Company implemented a plan to reduce product costs, which includes three main components: (1) transitioning to electrode production through an automatic production system; (2) research and development efforts to reduce the costs of the system's parts; and (3) transitioning to an assembly line in a low cost country.

During the Reporting Period, the Company completed the installation and configuration of two machines for the electrode production line, of which, as of the publication date of the report, one has commenced production on the production line, and the other is in validation stages. These machines will help the Company manufacture the electrodes at higher rates, and will support the manufacture of the electrodes for the Company's systems. The machines are expected to increase electrode production capacity while significantly reducing workforce, by virtue of them being automatic and supported by advanced robotics, and will also reduce the potential depreciation that is caused during the electrode production process.

The production lines are varied lines, some of them completely automatic and some requiring

operator involvement. The Company intends to shift the production lines to maximum automation in order to improve output, lower and raise quality, within the framework of an approved automation plan. The Company is working on maintaining the production of the core technology inside the Company only, in order to preserve the intellectual property assets which are included therein. Other parts of the product that do not bear any intellectual property and do not require expertise and do not contain the Company's core technology are manufactured by various countries in Israel and abroad near the target markets. In this regard, during the Reporting Period the Company expanded its collaboration with a Chinese supplier, in which the Chinese supplier will provide all of the BOX systems which are not included in the Company's core technology (BOP). The Company believes that this process will contribute significantly towards reducing the production costs of its products, and will allow it to increase its production quantities, if and as required, in accordance with future sales.

During the Reporting Period, and as part of the process of reducing the cost of its products, the Company was able to reduce its product costs by 36%, relative to those costs in 2022, and the Company expects another significant reduction in 2024.

18. Property, plant and equipment, and primary means of production

For details regarding the Company's offices and plant, see Note 9 to Chapter C of the Periodic Report.

The fixed assets owned by the Company include equipment for the production for fuel cells and testing of fuel cell systems. For additional details regarding fixed assets, see Note 12 to Chapter C of the Periodic Report.

19. Research and Development

19.1. Grants

19.1.1. As of the publication of this report, the Company has a grant approved by the Israel United States Binational Industrial Research and Development Foundation (“**BIRD**”) for the “Industrialization of New Cathode for Next Generation Electrochemical Fuel Cells (the “**Project**”); industrialization of the cathode is needed in order to transition to

the mass production of the cathodes. Each fuel cell made by the Company has a large number of cathodes (some 400 units), and therefore development of the industrialization was needed in order to allow serial and quantitative production.

As of the Reporting Date, the total grant received from BIRD for the Project amounted to a total of USD 803,839.³⁷

For additional details regarding agreements signed with BIRD, see sections 29.3 and 29.4 below.

The sum of the liability for the projects recognized in the Company's Financial Statements as of December 31, 2023, amounts to a total of USD 738.

19.1.2. For details regarding the collaboration agreement with TDK, under which the Company is entitled to participation in development expenses, see section 28.2 below.

19.1.3. In 2020, the Company entered into an agreement with the European Commission (in this section only: the "**Organization**"), which entered into effect in November 2020, within the framework of which the Company will take part in the Horizon 2020 project in conjunction with a number of various bodies from around the world. The agreement states that a number of experiments will be carried out using the Company's systems of technologies and/or materials developed by members of the Organization and the Organization will bear all expenses connected with these experiments, in the total amount of EUR 355,625 (USD 422,409), which will be spread out across a period of two years. As of the Reporting Date, the Company has received, within the framework of the agreement, reimbursement of expenses in the amount of approximately EUR 302 thousand (approximately USD 347 thousand). For additional details, see Note 15B in Chapter C of the Periodic Report.

³⁷ It is noted that over the course of 2020 the Company decided that the results of the Project B did not justify continued development, and accordingly, the Company announced that it was halting an additional project with the BIRD Foundation to develop an ammonia cracker for AFC technology based on an innovative catalyst intended to operate in low temperatures. As of the publication of the report, the Company is continuing to develop a catalyst for work at low temperatures on parallel paths. This is accepted practice in R&D companies, which operate on a number of parallel development levels.

19.1.4. In 2023 the Company entered into an agreement with the Europe Dynamic (in this section only: the “**Organization**”), which entered into effect in October 2023, within the framework of which the Company will take part in the WeForming project, together with various entities from around the world. Under the agreement, it was determined that the Company will participate in a project of efficient buildings with green energy networks, and will be entitled to receive reimbursement from the organization in respect of its expenses, in a total amount of EUR 256 thousand (approximately USD 280 thousand), which will be distributed over a period of around 3 years. In 2023, the Company received, within the framework of the agreement, a total of approximately EUR 141 thousand (approximately USD 154 thousand). As part of the project, the Company will supply the 10kWh OX system for the purpose of installing it in a smart building in Europe. The remainder of the grant will be paid near the project’s completion. For additional details, see Note 15C in Chapter C of the Periodic Report.

19.2. Processes in future development

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

The amounts which were spent by the Company in respect of research and development, net, in the years 2022 and 2023, amounted to approximately USD 7,856 thousand and USD 13,207 thousand, respectively.

The Company expects to require an investment for research and development activities in the coming year in the amount of USD 1.3 million, including, inter alia:

- (1) Finding solutions to lower the price of the EVOX and BOX systems by redesigning components and processes;
- (2) Continued development of the command and control software programs GEMS and GenCell Gemes IOT Edge;
- (3) Continued development of the FOX system and of the ACU;
- (4) Development of a new fuel cell with double energy density that will lead to the OX product;
- (5) Development of a product that will produce green ammonia (ammonia with no CO₂ signature – clean fuel) for a period of at least 2.5 years;

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

Product	Amounts invested in development	Development grants and their repayment terms	Total investment expected in the coming 12 months	Milestones for the coming year	Milestones for the next two years	Milestones for the next 3-4 years
BOX	Approximately USD 27.3 million	Approximately USD 804 thousand. For additional details, see section 29 below.	Approximately USD 300 thousand.	The product began being sold in 2022, and is now in cost reduction stages.	-	-
OX	Approximately USD 3 million	Approximately EUR 256 thousand. For additional details, see section 19 below.	Approximately USD 180 thousand	OX working prototype and HPFCM development.	-	-
FOX	Approximately USD 20.3 million	Approximately USD 378 thousand. For additional details, see section 29 below.	Approximately USD 2 million	ACU Alpha – 9/24 ACU Beta – 11/24	ACU Commercial launch Q1/25 ACU commercial unit certified with TUV and CE Q3/25	FOX 10kW commercial launch Q1/26 Higher capacity FOX development

Product	Amounts invested in development	Development grants and their repayment terms	Total investment expected in the coming 12 months	Milestones for the coming year	Milestones for the next two years	Milestones for the next 3-4 years
					FOX 10kW unit development and integration	
EVOX	Approximately USD 1.2 thousand	-	Approximately USD 1.3 million	EVOX SW V2 release EVOX NA Upgraded Design EVOX EU Version Design release	EVOX SW V3 (Site Economical Optimizer)	-
Green NH3	USD 3.9 million	Approximately USD 966 thousand. For additional details, see section 29 below.	Approximately USD 1.84 million	NH ₃ Full-scale alpha working prototype	Component development, upscale and integration towards beta prototype	NH ₃ Beta Prototype for commercial scale production

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

20. Intangible assets

20.1. Patents

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

- A. Generating value for the Company;

- B. Paying attention to the expected timetable for approving every patent request;
- C. Protecting the Company's intellectual property;
- D. Paying attention to the Company's vision and possible future directions of development;
- E. Blocking potential competitors;
- F. Cost and budget considerations.

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

20.1.3. The amounts which were spent by the Company in respect of the registration of patents during the years 2022 and 2023 amounted to approximately USD 68 thousand and USD 95 thousand, respectively.

20.1.4. As of the publication of the report, the Company has 17 patents which are registered in the United States, Europe and Israel. The Company also has 21 patents in evaluation stages.

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

Patents	Patent description	Patent rights	Filing date (priority date)	Expiry date	Countries relevant to the patent
Gas Diffusion Electrode and Process for Making Same (US Patent No. 9,966,609)	An electrode that allows gas diffusion and its manufacturing process	Owned by the Company	15.12.2015 (20.6.2013)	27.9.2034	United States
Scrubbing Device for Gas Used in a Fuel Cell and Method of Scrubbing Gas Using the Device	A gas adsorption installation for use in a fuel cell and a gas adsorption process	Owned by the Company	15.11.2016 (19.5.2014)	16.3.2035	United States

Patents	Patent description	Patent rights	Filing date (priority date)	Expiry date	Countries relevant to the patent
(US Patent No. 10,530,001)					
Nickel-Based Catalyst for Fuel Cell (US Patent No. 10,522,844)	Nickel based catalyst for fuel cell	Owned by the Company	24.4.2017 (18.3.2014)	3.8.2037	United States
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process (US Patent No. 10,450,192)	The process of thermal breakdown of ammonia and a reactor in which the breakdown process takes place	Owned by the Company	22.7.2016 (22.7.2015)	22.7.2036	United States
Low-Voltage Electric-Hydraulic Drive System for Electric Transportation (US Patent No. 11,028,863)	Low-voltage electric propulsion system for electric transportation	Owned by the Company	30.1.2020 (31.1.2019)	30.1.2040	United States
Gas Diffusion Electrode and Process for Making Same (Israeli Patent- 243217)	Electrode that allows gas diffusion and its manufacturing process	Owned by the Company	17.12.2015 (20.6.2013)	19.6.2034	Israel
Scrubbing Device for Gas Used in a Fuel Cell and Method of Scrubbing Gas Using the Device (Israeli Patent-249000)	Gas adsorption installation for use in a fuel cell and a process for scrubbing gas using the device	Owned by the Company	16.11.2016 (19.5.2014)	18.5.2035	Israel
Nickel-Based Catalyst For the Decomposition of Ammonia (Israel patent- 253738)	Nickel based catalyst for fuel cell	Owned by the Company	17.7.2017 (3.2.2015)	1.2.2036	Israel
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process (Israel patent - 257019)	The process of thermal breakdown of ammonia and a reactor in which the breakdown process takes place	Owned by the Company	18.1.2018 (22.7.2015)	22.7.20326	Israel
Scrubbing Device for Gas Used in a Fuel Cell and Method of Scrubbing Gas Using the Device (EU patent 3146583)	Gas adsorption device for use in a fuel cell and a gas adsorption process using the device	Owned by the Company	21.11.2016 (19.5.2014)	18.5.2035	Germany, France, Great Britain and Italy
Gas Diffusion Electrode and Process for Making Same (EU patent 3011625)	Electrode that allows gas diffusion	Owned by the Company	9.12.2015 (20.6.2013)	19.6.2034	Germany, France, Great Britain and Italy

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

Patent filings	Patent description	Rights in patent filings	Patent filing date (priority date)	Expiry date	Countries relevant to filing
Method for the electrochemical synthesis of ammonia and installation for carrying out the METHOD (International/National Patent Applications must be filed by November 20, 2024)		Owned by the Company	20.11.2023	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	United States
EV Charging Station Capable of Off-grid Operation, Control System for EV Charging Station and Method of Managing Power Sources of EV Charging Station (US Provisional Application # 63/491,103 International/National Patent Applications must be filed at the latest on March 20, 2024)		Owned by the Company	20.3.2023	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	United States
Method for the Electrochemical Synthesis of Ammonia and Apparatus for Carrying out the Method (PCT/US2022/76898)	A process for electrochemical synthesis of ammonia and a device for performing the process	Owned by the Company	24.9.2021	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	United States
Nickel-Based Catalyst for Fuel Cell Anode (PCT/US20/55738)	Nickel based anode for fuel cell	Owned by the Company	15.10.2020 (18.10.2019)	15.10.2040 (or later date pending on grant date and patent term adjustments terms)	PCT (Filed in the United States)
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process (PCT/US2021/27983)	The process of thermal decomposition of ammonia and reactor to perform the decomposition process	Owned by the Company	19.4.2021 (27.4.2020)	19.4.2041 (or later date pending on grant date and patent term adjustments terms)	PCT (Filed in the United States)
Nickel-Based Catalyst for the Decomposition of Ammonia (EU patent application 16747045.9)	Nickel-based catalyst for ammonia decomposition	Owned by the Company	4.8.2017 (3.2.2015)	12.3.2035 (or later date pending on grant date and patent term adjustments terms)	Europe
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out said Process (EU patent application 16828614.4)	The process of thermal decomposition of ammonia and reactor to perform the decomposition process	Owned by the Company	6.2.2018 (22.7.2015)	22.7.2036 (or later date pending on grant date and patent term adjustments terms)	Europe
Nickel-Based Catalyst for Fuel Cell Anode (EU Patent Application 20876132.0)	Nickel based anode for fuel cell	Owned by the Company	13.5.2022 (18.10.2019)	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Europe

Patent filings	Patent description	Rights in patent filings	Patent filing date (priority date)	Expiry date	Countries relevant to filing
Nickel-Based Catalyst for Fuel Cell Anode (Israel Patent Application 292306)	Nickel based anode for fuel cell	Owned by the Company	15.4.2022 18.10.2019	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Israel
Nickel-Based Catalyst for Fuel Cell Anode (Australian Patent Application 2020368407)	Nickel based anode for fuel cell	Owned by the Company	21.4.2022 18.10.2019	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Australia
Nickel-Based Catalyst for Fuel Cell Anode (Brazilian Patent Application BR 11 2022 007302-0)	Nickel based anode for fuel cell	Owned by the Company	14.4.2022 18.10.2019	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Brazil
Nickel-Based Catalyst for Fuel Cell Anode (Canadian Patent Application 3154970)	Nickel based anode for fuel cell	Owned by the Company	14.4.2022 18.10.2019	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Canada
Nickel-Based Catalyst for Fuel Cell Anode (Indonesian Patent Application P00202205438)	Nickel based anode for fuel cell	Owned by the Company	13.5.2022 18.10.2019	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Indonesia
Nickel-Based Catalyst for Fuel Cell Anode (Japanese Patent Application 2022-523153)	Nickel based anode for fuel cell	Owned by the Company	15.4.2022 18.10.2019	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Japan
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out the Process (Japanese Patent Application 2022-564465)	The process of thermal decomposition of ammonia and reactor to perform the decomposition process	Owned by the Company	21.10.2022 (27.4.2020)	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Japan

Patent filings	Patent description	Rights in patent filings	Patent filing date (priority date)	Expiry date	Countries relevant to filing
Nickel-Based Catalyst for Fuel Cell Anode (Korean Patent Application 10-2022-7016577)	Nickel based anode for fuel cell	Owned by the Company	17.5.2022 (18.10.2019)	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Korea
Nickel-Based Catalyst for Fuel Cell Anode (Philippines Patent Application 12022550930)	Nickel based anode for fuel cell	Owned by the Company	18.4.2022 (18.10.2019)	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Philippines
Nickel-Based Catalyst for Fuel Cell Anode (Singapore Patent Application 11202203989V)	Nickel based anode for fuel cell	Owned by the Company	18.4.2022(18.10.2019)	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Singapore
Process for the Thermal Decomposition of Ammonia and Carrying out the Process (Singapore Patent Application 11202253972X)	The process of thermal decomposition of ammonia and reactor to perform the decomposition process	Owned by the Company	21.10.2022 (27.4.2020)	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Singapore
Process for the Thermal Decomposition of Ammonia and Carrying out the Process (Chinese Patent Application 202180031108.5)	The process of thermal decomposition of ammonia and reactor to perform the decomposition process	Owned by the Company	26.10.2022 (27.4.2020)	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	China
Process for the Thermal Decomposition of Ammonia and Reactor for Carrying out the Process (Mexican Patent Application MX/a/2022/013183)	The process of thermal decomposition of ammonia and reactor to perform the decomposition process	Owned by the Company	20.10.2022 (27.4.2020)	Dependent on the dates of follow-up filings, the date the patent is received and patent term adjustment terms	Mexico

20.2. Additional intangible assets

As of the publication date of the report, the Company has 3 trademarks which are registered in 27 different countries around the world, including Australia, Israel, the EU, Russia, the UK, Serbia, and China, in respect of the Company's name, the name of the EVOX system, and the name of the WATER2POWER technology. Trademarks in Israel are registered for a fixed period of 10 years from the date of their submittal request, and can be renewed at the end of the period. In accordance with its needs, from time to time the Company files requests to register trademarks and extend its registered trademark. As of the Reporting Date, the Company does not know of any violations of the trademarks which are registered under its name.

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

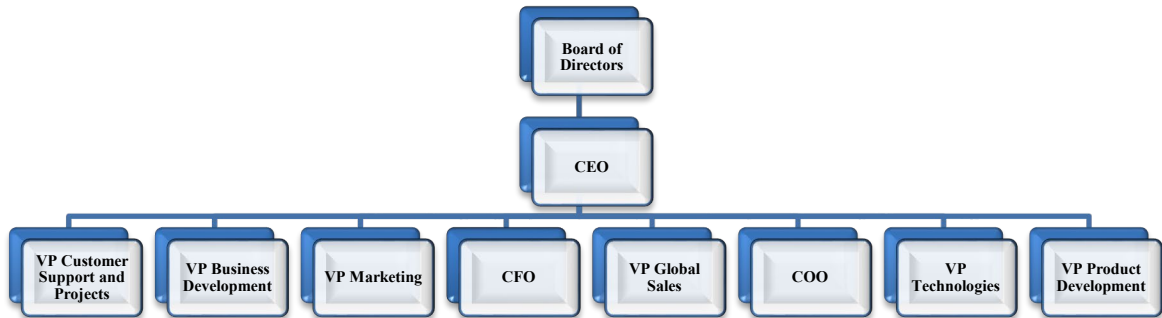
Starting January 1, 2021, the conditions for capitalizing the development costs in accordance with International Accounting Standard 38 (IAS38), which deals with intangible assets, had matured, for three primary projects:

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

Accordingly, the Company has capitalized, as of December 31, 2022, development costs for an intangible asset in the amount of approximately USD 11,472 thousand. In accordance with IAS 36, the Company amortized this asset in its financial statements for 2023. For additional details, see Note 11 in Chapter C of the Periodic Report.

21. Human capital

21.1. Diagram of the Company's organizational structure



21.2. Employees

The Company's employees include experts in the field of alkaline fuel cells, including veterans of the space and submarine programs. The Company's human capital represents an inter-generational combination of scientists with tens of years of experience in the field of alkaline fuel cells, with this experience accumulated in leading fuel cell companies around the world along with a promising young generation of scientists, chemists, electrochemists, engineers and technicians working at the Company, including scientists with PhD degrees.

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

Presented below is the Company's workforce (in terms of positions) as of the publication date of the report and as of December 31, 2023 and 2022:

Department	As of the publication of the report	On December 31, 2023	On December 31, 2022
Research and development	47	49	68
Production	23	26	36
Operations	27	27	10
Customer support	6	7	6
Marketing	4	4	6
Sales	5	4	10
Management and administration	16	16	12
Finance	8	7	9
Total	136	140	157

21.3. Dependence on key figures

As of the publication date of the report, the Company believes that it is not dependent on any key figures, the discontinuation of whose activity in the Company may have a significantly adverse effect on the Company's activity and business results.

21.4. Compensation of employees and officers

The Company has a practice of rewarding employees for special efforts or special projects they have carried out. The bonuses are given in the discretion of Company Management, and are not given on a set date. As a rule, the bonuses are not part of the employees' employment terms. A number of factors are taken into account when determining the level of the bonus, such as the employee's position at the Company, their areas of responsibility, their contribution to the Group's activity, etc.

Additionally, on November 8, 2020, the Company's Board of Directors and the General Meeting approved, in accordance with Regulation 1 of the Companies Regulations (Expedient Regarding Obligation to Establish Compensation Policy), 2013 (in this section only: the "**Regulations**"), an exempt compensation policy for the Company in accordance with Section 2a of the regulations. In accordance with the provisions of the Regulations, the Company's current compensation policy was described in the Company's IPO prospectus, and is therefore considered as a compensation policy which was determined in accordance with section 267A of the Companies Law, and will require approval only five years after the date when the Company became a public company. As of the publication of the report, the terms of service of all Company officers are in compliance with the directives of the compensation policy.

As part of the Company's efforts to reduce its current expenses, Messrs. Rami Reshef, Yossi Salomon, Gennadi Finkelshtain, Gil Shavit, Haim Moshe, Shmulik Peretz, Ariel Machtey and Asher Levy (the "**Officers**") notified the Company, based on their desire to assist in the Company's efforts, that they wish to voluntarily reduce their salaries (in the range of 10-20%) for a period of six months beginning on January 1, 2024.

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

21.5. Employee and officer option allocation plan

On July 25, 2016, the Company's Board of Directors approved the 2016 options plan, as amended and updated from time to time, under which, from time to time, options are allocated to employees, directors, officers, consultants and service providers of the Company and/or companies under its control (the "**2016 Options Plan**").

On March 27, 2023, the Company's Board of Directors approved the 2023 equity compensation plan, under which the Company is entitled to allocate, from time to time, unlisted RSU's And/or options to employees, directors, officers, consultants and service providers of the Company and/or companies under its control (the "**2023 Equity Compensation Plan**").

(The 2016 options plan and the 2023 equity compensation plan will hereinafter jointly be referred to as: the "**Equity Plans**").

For details regarding the outline for issuance to employees, which was published by the Company in accordance with section 15B(1)(A) of the Securities Law, and the Securities Regulations (Outline Details of an Offer Securities to Employees), 2000, by virtue of which, inter alia, the Company allocates to its employees, from time to time, unlisted options and RSU's in accordance with the provisions of the equity plans, as applicable, see the Company's immediate reports dated March 30, 2022 (reference number:2022-01-032781), June 2, 2022 (reference number: 2022-01-069310), April 25, 2023 (reference number: 2023-01-044997), and July 10, 2023 (reference number: 2023-01-078105). The above constitutes inclusion by way of reference.

For additional details regarding the terms of the Company's equity plans, including expirations, forfeitures, allocations and exercises which were performed by virtue thereof during and after the Reporting Period, see Note 18 in Chapter C of the Periodic Report.

21.6. Training, certification and education

In accordance with the needs of the Company and its customers, from time to time the Company provides training, qualification, education and courses in various professional fields and in fields which are required by law, in order to maintain and develop their knowledge.

21.7. Consultants

As part of its activities, the Company hires the services of various consultants on a variable fee basis, including, inter alia, agency commissions or success-based fees, depending on the nature of the consulting services given the Company. The Company receives consulting services regarding penetration into the relevant markets, dealing with regulatory bodies, research and development services, including patents, etc. As of the Reporting Date, the Company's total expenses for consultants and professional services amounted to approximately USD 683 thousand.

22. Raw materials and suppliers

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

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

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

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

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

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

In general, purchases are made in accordance with Management's decisions taking place in the S&OP process, which takes place on a frequent and routine basis. Based on the S&OP process, tests are received and performed on a number of price quotes, except for a limited number of key components which are purchased from a unique supplier, according to a price list which has been established for the Company, and with its consent.

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

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

23. Working capital

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

	As of December 31, 2023 (USD thousands)	As of December 31, 2022 (USD thousands)
Current assets	42,684	69,932
Current liabilities	6,504	9,556
Excess of current assets over current liabilities	36,180	60,376

The following are details on the Company's primary working capital components:

23.1.1. Inventory

The Company maintains a level of inventory that allows it to deliver to its customers according to plan, within reasonable periods of time of 3-6 months, in accordance with the sales forecast. As of December 31, 2023 and December 31, 2022, the Company's inventory level amounted to approximately 3,854 thousand and approximately USD 3,135 thousand.

23.1.2. Customer credit and supplier credit

A. Customer credit:

As of December 31, 2023 and December 31, 2022, the credit the Company provided its customers amounted to USD 5,842,000 and USD 5,450,000, respectively.

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

B. Supplier credit:

As of December 31, 2023 and December 31, 2022, the Company's supplier credit amounted to approximately USD 1,385 thousand and approximately 2,493 thousand, respectively.

23.1.3. The credit period granted the Company by its supplier is on average current +45 days.

24. Financing

24.1. The Company finances its activity out of the proceeds from its initial public offering from November 2020 by virtue of the prospectus, the second offering from April 2021 in accordance with the shelf offering report published by virtue of the prospectus, as well as the private allocation to institutional investors from January 2022. For additional details, see section 0 above as well as Regulation 10 in Chapter D of the Periodic Report.

24.2. The Company believes that its available cash can suffice to finance its activities for a period of 18-20 months after the Reporting Date, according to the current cash burning rate.

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

24.4. For details regarding financing given the Company by the BIRD Foundation, see 29.3 below.

24.5. As of the Reporting Date, the Company has no restrictions on taking credit.

25. Taxation

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

26. Environmental risks and management thereof

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

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

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

26.4. Ammonia is a compound of nitrogen and hydrogen, and its formula is NH_3 . Ammonia is one of the world's most common and important industrial chemicals. Its primary use is as a raw material in the fertilizer industry, and in the manufacture of nitrogen compounds. Ammonia is also present in our bodies and has many uses: as a raw material for the manufacture of

various products and materials, such as nitrous acid, plastics, cleaning supplies, explosives, synthetic fibers for the textile industry, as a catalyst for the manufacture of synthetic resins, water treatments, fertilizer, fuel, for industrial cooling and more. Most industrial ammonia is produced from natural gas. Ammonia is a toxic material that may lead to various health effects, including death. Exposure to ammonia may also lead to eye irritation, respiratory irritation, digestive system irritation and skin irritation. The degree of harm caused by the material depends on the duration of the exposure and its concentration. Long-term damage may be caused as a result of exposure to a large concentration for an extended period of time. Ammonia is defined as a hazardous material in the Hazardous Materials Law. A safety sheet (MSDS) serves as sort of an ID card for a hazardous material and details risks and safety instructions for working with the material. Under standard pressure and temperature conditions, ammonia is a colorless gas with a sharp odor. Ammonia gas is lighter than air, and is highly soluble, and water therefore is an excellent way of neutralizing ammonia in the event of a leak. Therefore, strict safety rules are needed during manufacture, shipping, storage and use of this material. The Company operates in accordance with existing regulations and standard for the shipping, storage and use of ammonia.

26.5. As a rule, in Israel the Ministry of Environmental Protection is responsible for regulating use of hazardous materials, including ammonia. The Ministry of Environmental Protection holds this authority by virtue of the Hazardous Materials Law. As specified in section 9.2.1 above. Within this framework, the Ministry of Environmental Protection supervises all those working with hazardous materials in Israel and their activity in this area, including storage, sales, transportation, and us and all users must act in accordance with these legal requirements. For additional details, see 9.2.3 and 9.2.4 above.

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

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

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

27. Restrictions and oversight of the Corporation

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

For additional details regarding the permit from the Electricity Authority and the Ministry of Health for operating the system in a vital facility for a hydrogen-powered generator, see section 8.3.4.1 above.

For additional details regarding restrictions and supervision of the corporation, see that stated in section 9.2 above.

28. Material agreements and collaboration agreements

28.1. **Collaboration and project financing agreement from April 13, 2014 between the Company and BIRD**

- 28.1.1. This agreement establishes the terms and restrictions for the granting of financing by the BIRD foundation to parties in connection with the “Development and Industrialization of New Cathode for a Next Generation Electrochemical Fuel Cell Generator” (the “**Project**”).
- 28.1.2. The BIRD Foundation will provide the parties with financing in a maximum sum equal to the lower of either (a) USD 900,000; or (b) 50% of the project’s actual expenses. As of the Reporting Date, financing from the BIRD Foundation amounted to USD 803,839.
- 28.1.3. The conditional grant will be repaid in dollars at a rate of 5% of the gross sales of the developed product or the commercial product covered by the development. The maximum sum of the conditional bonus that will be repaid the BIRD Foundation the parties will not exceed 150% of the grant given in practice.
- 28.1.4. In the event of a license agreement signed between any of the parties to the agreement and/or their related parties and any third party, that party will pay the BIRD Foundation a sum equal to 30% of all payments received within the framework of the license agreement in question. These payments along with any other reimbursement will not exceed the maximum repayment percentage (150%).
- 28.1.5. In the event that none of the following cases occur: (a) creation of gross sales, (b) sales (as specified below) to a third party, or (c) issuing a product license in accordance with a license agreement – the participants will have no obligation to reimburse the BIRD Foundation.
- 28.1.6. Any transfer of ownership of the intellectual property and/or technology pertaining to the product and/or the product itself (which has been developed through the bonus given by the BIRD Foundation), in whole or in part, to any third party, this before the full redemption of the repayment to the BIRD Foundation, requires the advance written consent of the BIRD Foundation. Regarding any proposed sale, the parties will publish an advance notice to the BIRD Foundation, detailing the relevant sales conditions. The agreement establishes conditions for repayment in the event of a partial or full sale of the developed product.

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

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

28.1.9. The agreement (which is subject to the laws of the State of Israel, with any disputes regarding the agreement being heard in Israel, or in Washington State), entered into effect on August 1, 2013. The development works in accordance with the agreement were concluded on August 1, 2015.

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

28.1.11. In 2023 and 2022, the Company paid royalties to BIRD Foundation in the amount of approximately USD 8 thousand and approximately USD 7 thousand, respectively.

28.2. **Strategic collaboration agreement with TDK**

On February 22, 2021, the Company entered into a framework agreement with TDK (the “**Agreement**”), regarding TDK’s participation in the Company’s “Green Ammonia” project (for additional details, see section 11.3 above), which is intended to develop a product that will allow the production of “green ammonia” (the production of ammonia with no CO₂ emissions) (the “**Project**”). The Project will be carried out in three stages of development, regarding each of which the Company will be signing a specific project agreement with TDK (the first stage

has already been signed). Within the framework of the agreement, TDK will be participating in financing some of the project costs in the amount of USD 1.5 million, subject to the fulfillment of certain development goals. According to the Agreement, any intellectual property developed within the framework of the project is the sole property of the Company. In return for the financing and as part of the strategic collaboration, the agreement states that TDK will be entitled, inter alia, to receive update and reports from time to time pertaining to the progress of the Project and its products, right of first refusal for the examination and purchase of a prototype product within the framework of the Project (on the dates set in the agreement), as well as first voting right for negotiations for engagement in a commercial agreement in connection with the Project's products in Japan and in other territories insofar as they are agreed upon, which may include sales rights, service production and/or an license on an exclusive basis (on the dates and framework conditions set in the agreement). On February 27, 2022, the Company notified TDK that it had achieved a significant technological breakthrough, which allowed the production of green ammonia directly from water under very low pressure and temperature relative to the ammonia production processes that are currently available around the world. Accordingly, TDK notified it, after evaluating the above breakthrough, of its intention to exercise its rights to continue investing in the Project in accordance with the terms of the agreement, for the purpose of continuing the development of the project within the framework of the next milestone. In 2023 and 2022, the Company received a total of approximately USD 483 thousand and USD 0 thousand in connection with the project's development goals. For additional details, see the Company's immediate report published February 27, 2022 (reference number 2022-01-019386). The above constitutes inclusion by way of reference.

28.3. **Collaboration agreement with the Icelandic Communications Company**

On January 7, 2021, and further to an existing engagement which is supported by the Icelandic government, the Company reached an agreement with the Icelandic Communications Company, which operates an emergency communications services center in Iceland using hundreds of communications sites, according to which the Company will install and operate the Company's FOX system with the aim of testing its operation at various emergency site of the Icelandic Communications Company. The parties completed a trial to test the operation of the FOX system at an active telecom site in which the FOX system is responsible for supplying

continuous energy 24/7, continuously and autonomously. As of the publication date of the report, the negotiations with the Icelandic company have not yet matured into a decision on its part to purchase the Company's systems in the coming years. For additional details, see the Company's immediate reports from January 10, 2021, May 20, 2021 and June 20, 2021 (reference no.: 2021-01-003907, 2021-01-027766 and 2021-01-040795, respectively). The above constitutes inclusion by way of reference.

28.4. **Framework strategic collaboration agreement with Deutsche Telekom**

On July 1, 2021, the Company entered into a framework agreement in respect of a strategic collaboration with Deutsche Telekom, which is considered the largest telecom operator in Europe, which will include evaluation of the possibility of integrating the Company's fuel cell systems in some of Deutsche Telekom's telecom networks (the "**Collaboration Agreement**"). According to the collaboration agreement, after conducting field trials with the Company's fuel cells, Deutsche Telekom will decide whether it intends to use the Company's fuel cells as a replacement for diesel generators.

In accordance with the collaboration agreement, Deutsche Telekom acquired and tested the Company's G5 system in accordance with a predefined outline plan. Following tests in laboratory conditions, the parties began conducting a field test of the G5 and BOX system at four active cellular sites of Deutsche Telekom, whereby during this period the systems were tested under various work scenarios, as will be defined by the parties through integration of the system into the various transmission systems that are used by Deutsche Telekom.

In light of the trial's success, the Company was recognized as an official supplier of Deutsche Telekom, and the Company's G5 and BOX systems became products approved for purchase for all member companies of Deutsche Telekom Group around the world. The Collaboration Agreement also includes general framework conditions for purchasing, including commercial conditions that will apply to potential purchases of the Company's fuel cells. Although the recognition of the Company as an official provider has not yet resulted in the receipt of orders to purchase the Company's systems, Company management believes that the adjustment of the Company's products for operation under various operating scenarios at one of the world's leading telecom suppliers could help the Company in engaging in future transactions with entities and companies in the telecom market.

The parties have completed a field trial of the FOX system in Israel. In accordance with the collaboration agreement, the FOX system became an approved product for purchase by all member companies of Deutsche Telecom Group around the world. As of the publication of the report, the FOX system is not yet commercial.

28.5. **Collaboration agreement with EV Motors**

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

The pilot program was completed successfully, in accordance with the conditions and criteria which were specified in the collaboration agreement, and EV Motors acquired several systems from the Company. Along with the above, EV Motors will exclusively use the Company’s systems in all of its charging stations in Israel, subject to the Company’s fulfillment of the future technological and commercial criteria which were determined in the collaboration agreement. For additional details regarding the purchase of the Company’s systems and the receipt of associated services, see section 12 above.

Additionally, for details regarding a claim which was filed by the Company against EV Motors and against the buying corporation which in the past held negotiations to purchase an ownership stake in EV Motors (the “**Buying Corporation**”), in connection with the repayment of the entire existing debt in respect of the purchase of the Company’s systems, in which the parties reached a payment arrangement in respect of the entire debt owed by EV Motors and the buying corporation, see Notes 15 and 31 to the Periodic Report.

28.6. **Strategic collaboration agreement with ABB Switzerland Ltd. (“ABB”)**

On December 21, 2021 the Company entered into an agreement with ABB, the branch which specializes in backup and development of defense systems for an international corporation, which specializes, inter alia, in the development and production of continuous power supply devices and related equipment, according to which the parties will work to create a strategic collaboration, within the framework of which ABB and the company will cooperate to support the shared marketing efforts for hydrogen-based energy solutions, while focusing on solutions that involve the Company’s products and ABB (the “**Proposed Solution**”). The proposed solution is intended to offer a reliable and continuous power supply over time, with no disruptions over the course of short and long-term power outages, with no emissions. The shared goal is to advance the mutual offerings of reliable backup power systems, durable over time and with zero emissions, which will complement and replace traditional diesel generators. The joint marketing activity will focus, inter alia, on the following market segments: trains, hospitals, commercial structures, data centers and telecom. For additional details, see the Company’s immediate report dated December 22, 2021 (reference number 2021-01-112450). The above constitutes inclusion by way of reference. As of the publication date of the report, the parties’ efforts to reach a collaboration regarding the proposed solution have not yet borne fruit.

28.7. **Framework strategic collaboration agreement with Linde Gas & Equipment Inc. (“Linde”)**

On November 4, 2022, the Company entered into a framework agreement for strategic collaboration with Linde, an American industrial company which is engaged, inter alia, in supplying hydrogen (the “**Collaboration Agreement**”). In accordance with the collaboration agreement, the parties will work together to formulate a plan for marketing and selling its various products and in particular hydrogen gas, which will be specifically adapted to the Company’s customers and will be marketed along with the BOXTM systems, as a single package that offers a complete solution and a response to the various need of the Company’s customers in the United States, as they exist from time to time. For additional details, see the Company’s immediate report dated November 6, 2022 (reference number 2022-01-133201). The above constitutes inclusion by way of reference.

28.8. Strategic collaboration agreement with Air Liquide Deutschland GmbH (“ALD”)

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

29. Legal proceedings

As of the Reporting Date, there are no material legal proceedings pending against the Company.

For details regarding a claim which was filed by the Company against EV Motors and against the buying corporation, in connection with the repayment of the entire existing debt in respect of the purchase of the Company’s systems, in which the parties reached a payment arrangement in respect of the entire debt owed by EV Motors and the buying corporation, see Notes 15 and 31 to the Periodic Report.

30. Goals and business strategy

One of the Company’s primary goals is to be a leading player in the global fuel cells market. The Company is therefore planning to continue penetrating into the three target markets on which the Company is focused: the electric companies market, the telecom market and the electric vehicle charging market. The Company believes that the Company’s solutions can be integrated well into the business continuity strategies and the response to grid challenges of electric companies, and is

therefore increasing its efforts to penetrate into this field, both directly and indirectly, through collaborations with companies working with electric companies. The Company believes that the American market offers extensive opportunities, with supportive regulations and a supportive financial system which is suitable for the Company's products. The Company is working to transfer large parts of its production capabilities to subcontractors, with the aim of reducing fixed costs as much as possible, and adding the capacity to produce thousands of units per year at high quality and at competitive prices, in order to increase the chance of sales of the Company's products. Significant fuel cell production capabilities and assembly lines in the target markets will allow the Company to achieve its goals and be a leading player in a dynamic and evolving market.

30.1. Achieving development goals –

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

30.2. Growth and penetration of potential target markets –

Among other things, by creating long-term work interfaces with strategic partners, distributors and global customers. The company is working to market its products directly to end customers defined as the target market, such as customers seeking to back up critical points of their business activity. The Company operates directly with these customers for these matters, operating a marketing, business development, sales and customer support array. The Company is preparing for the next stage of marketing its products under a network of strategic agreements supported by the capabilities of global and local companies to make the Company's products accessible and provide the required service in many places around the world.

The Company believes that in addition to the additional installations which the Company performed in the United States, the local partner's winning of CFE's additional tender (for additional details, see section 12 above), constitutes an indication of CFE's satisfaction with the Company's systems which were supplied and distributed successfully within the

framework of CFE's tender from 2020, and it believes that these installations could contribute to the Company's positioning in its target markets, and could help it expand the Company's business activities with new customers in the market of electric companies, in accordance with the Company's goals and business strategy.

The EVOX system could create a large number of business opportunities. In principle, any location where rapid charging of electric vehicles is required represents an opportunity to market the EVOX. The Company is working on installing the EVOX systems in the United States, in light of its recognition of a clear need due to, on the one hand, the sharp increase in the number of electric cars, and on the other hand, the weakness of the grid, all with the support of a federal and state support system which includes tax benefits and grants. The Company believes that the - EVOX solution can serve as a growth engine for the Company in the American market, and allow it to offer value to electric companies which are facing this challenge. The Company therefore operates its subsidiary, GenCell Inc., which is based on the west coast. The Company is building a local infrastructure for sales and technical support in the United States. The Company has created a series of partnerships with leading companies for the sale, installation and servicing of its systems.

30.3. Positioning and branding the Company's products –

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

Company management routinely evaluates, and will continue evaluating, its strategic and business goals from time to time.

31. Projected developments in the coming year

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

- 31.1. Increasing the production capacity of the fuel cells, while outsourcing some of these capabilities, a process which will support the Company's cost reduction plan, which already bore fruit in 2023.
- 31.2. Expansion of the marketing and sales efforts in the three target markets: vehicle charging, transformer stations of electric companies, and telecom companies operating in particularly cold areas.
- 31.3. In light of the fact that the Company identifies the American market, which benefits from extensive government support, as a primary target market for all matters pertaining to the electric vehicle charging market and electric companies, the Company decided to expand its activity in that market through its subsidiary GenCell Inc.
- 31.4. The Company intends to create collaborations with leading companies in the fields of vehicle charging solutions and backup systems for transformer stations of electric companies. The Company is also planning to work directly with European and North American telecom companies through the Company's direct sales department.
- 31.5. In respect of its product development activities, the Company intends to focus on continuing the development of the Company's products, as specified in section 11 above.

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

32. Financial information regarding geographical regions

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

33. Discussion of risk factors

33.1. Macro risks:

- A. Operation Swords of Iron - The Company's activities and plant are centered in Israel. Changes in the security and political situation in Israel could affect the Company's activity. The continuation of the war, and its expansion to additional fronts, could affect the security, defense, political, and economic situation, which could result, inter alia, in additional damage to the Israeli economy, which could also be reflected in increasing currency exchange rates and a decline in the Company's ability to sell and develop its products in the target markets, and to raise capital from foreign and local investors. For additional details regarding the Company's estimates as to the impact of Operation Swords of Iron, see section 1.4.1 in Chapter B of the Periodic Report.
- B. The macro-economic environment in Israel - An economic downturn or uncertainty in the Israeli or global markets in general, and in the Company's intended future target markets in particular, including volatility of the inflation rate and of interest rates, could negatively affect the Company's ability to penetrate these markets with the products which it offers. For details regarding the Company's estimates regarding the effects of inflation and interest rates, see section 1.4.3 in Chapter B of the Periodic Report.
- C. Fluctuations in prices of raw materials – some of the raw materials used by the Company's suppliers are subject to price fluctuations that may influence the prices the Company may be required to pay for the manufacturing process.
- D. Exposure to changes in exchange rates – some of the raw materials used by the Company's suppliers are purchased using foreign currency, and significant fluctuations in exchange rates may influence the price paid by the Company. Additionally, the Company also markets its products on the global market, and therefore proceeds are received in foreign currency, while most of the Company's expenses for employee salaries, office rental and payment to consultants is in the new Israeli shekel. Accordingly, the Company is exposed to fluctuations in the exchange rates of the NIS relative to key currencies in the target markets. Such changes may have an influence on the Company's operating results and profitability.

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

- E. Volatility in availability and in shipping prices – most of the raw materials used by the Company are imported by sea from suppliers in foreign countries, and most of the supply of the Company's products to its customers is via maritime shipping. An increase in shipping prices as well as a possible negative impact on the availability of transportation, and therefore, inter alia, due to changes in security, political or medical conditions, as well as strikes, sanctions and delays in sea ports in Israel and abroad and additional events that may impact the import and export ability of goods to and from Israel, may lead to delays in availability and receipt of imported raw materials, as well as delays in supplying the Company's products, and accordingly impact the Company's activity and influence its profitability. It is noted that beginning in 2024, the world has seen significant price increases in maritime shipping, and there has been a problem of lack of availability of these means of transportation – all this in a manner causing delays in supplying goods and price increases. Additionally, the overload at ports and the lack of means for maritime transportation, have been delaying the release of goods.

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

- F. Increases in fuel and energy costs –

The global energy crisis, which has not yet been resolved, could lead to an increase in the Company's production costs. The ongoing energy crisis may also lead to an increase in the raw materials purchased by the Company from its suppliers as a result of an increase in their inputs and naturally an increase in the shipping expenses of raw materials to the Company's facilities and of the Company's products to its customers.

G. Russia-Ukraine war –

For additional details regarding the Russia-Ukraine war and its impact on the Company's business activity, see section 7.2 above and section 1.4.2 of the Board of Directors Report.

33.2. Industry risks:

- A. Competition – the Company is exposed to competition (as per 16 above), both from elements operating in the market as of the publication of the report and on behalf of elements in advanced stages of research and development or those that may be competing with the Company in the future. Increased competition in the Company's field of activity may lead to a decrease in the scope of the Company's engagement and/or a drop in prices, which may lead to an erosion in the Company's profits.
- B. Changes in regulation – marketing the Company's products as well as its activities in the field of research and development may be subject to supervision and regulation in various countries in the future. While the Company believes that the progress of supporting regulation may benefit the Company, changes and developments in regulatory requirements or the Company's failure to uphold the requirements in question may lead to restrictions or delays in the development of the Company's products or lead to their halt, and cause material expenses for the Company.
- C. Technological developments – The Company's success depends on its ability to improve the solutions it offers its customers, and develop or engage in agreements connected with systems and solutions that will meet the rate of technological developments, the changing standards in the industry and the frequent changes in customer requirements as a result, there is no certainty that the Company will be able to acquire the required skills for the new technology in time, or engage in agreements in connection with such systems and solutions, including developing specializations and sources of knowledge in the appropriate time, in order to deal with new technologies and/or with customers changing requirements. Any delay or failure in development, adoption or adaptation of suitable solutions for technological changes and changes in market requirements may impact the Company's business results. Additionally, the creation of alternative technology to the technology offered by the Company, may hurt the scope of the Company's activity.

- D. Slowdown in research and development process – conducting trials within the framework of research and development processes conducting by the Group may be delayed or halted as a result of various reasons that are not dependent on the Company.
- E. Human capital – the Company has encountered challenges in locating, recruiting and retaining high-quality and professional manpower. The key reason for the loss is the rapid increase in demand for experienced employees in the Company’s areas of activity. The continued increase in demand for employees in the Company’s field of activity has led to difficulties in locating experts the Company needs while increasing the Company’s costs in locating and recruiting employees in order to meet market requirements, as well as retaining existing employees. As a result, the Company is required to raise its salaries further, both in order to recruit new employees and retain existing employees.

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

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

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

- G. Protecting intellectual property – the Company’s business is dependent to a certain degree on the intellectual property rights attributed to the Company’s products. Many of the Company’s competitors in the fuel cell industry have intellectual property rights (mainly patents), and are aware of the importance of the subject of protecting intellectual property rights in this industry, to the point of litigation proceedings in the event of violations originating from protection of the intellectual property of their products. In the event that in the future such a claim is made against the Company, it could involve significant costs. A successful suit in this regard against the Company could significantly affect the Company’s business, and could significantly affect its financial position.
- H. Reliance on manufacturers – The Company has engaged with third parties who are not connected to the Company in agreements to receive manufacturing services for certain components of the Company’s products. In the event that the scope of demand and production increase in the future, and these third parties will not be able to continue providing services to the Company, then this may also have a material negative impact on the Company’s business.
- I. The ability to raise capital and sources of capital – the Company, as a research and development company, requires a high level of long-term liquidity for the purpose of developing its vision for the purpose of achieving its business results. As a rule, capital markets are characterized by high levels of fluctuation, particularly relative to technology companies. A depression in capital markets in Israel and around the world may make it more difficult to find sources of finance. No certainty exists that insofar as the Company requires additional sources of finance, it will be able to raise them in the future.
- J. Handling of technical failures – Technical failures on the production lines of the Company’s products may lead to the imposition of restriction and/or delays in sales and the research and development of the Company’s products and/or may lead to a halt in their marketing. The treatment time of technical faults that lead to serial failures to the level of replacing machinery in the production lines of the Company’s products may be between 6 and 12 months, thus increasing the Company’s expenses for warranty and repairs and hurt the Company’s brand and reputation.
- K. Environmental risks related to the Company’s field of activity – For additional details, see

section 27 above.

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

33.3. Risks unique to the company:

- A. Pricing - The prices of hydrogen, which serves as the fuel cell for the Company’s products, are still expensive, and could adversely affect the Company’s ability to sell its products and penetrate into the target markets.
- B. Demand for the Company’s products – There is no certainty that demand for the Company’s products will exist in an amount which justifies its commercial production and marketing.
- C. Inventory levels – as the Company encounters long supply times of the raw materials it needs for the Company’s products, it is forced to maintain high levels of inventory so that it will be able to meet the demand to supply its products. insofar as there is no demand for the Company’s products, the Company may keep high levels of inventory, which means unnecessary confinement of capital to inventory. At the same time, Company Management has put together an inventory plan that is suitable to the size of the Company and the size of expected opportunities.
- D. Failure of research and development processes – no certainty exists that the research and development processes, which are carried out on the report date and which are not intended to be carried out by the Company as per Section 20 above, will vest into products of the quality needed for marketing and demand.
- E. Past performance – the Company’s past performance does not constitute an indication of the Company’s future performance. Therefore, no certainty exists that the Company’s business strategy will be implemented successfully in the future, or that it will meet its goals and targets.
- F. Cybersecurity and information security - The Company’s activity is based on information

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

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

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

The Company invests significant efforts and resources in cybersecurity, and works to prevent security failures in information systems, inter alia, by implementing a protective policy, backup and security mechanisms, implementation and enhancement of the Company's information security culture (including training sessions for managers and employees), enhancement and adjustment of policies, regular drills on cybersecurity incidents, internal control plans, monitoring, and support with the assistance of experts in the field, implementation of advanced and modern technological tools for information security and to prevent failures in IT systems, and implementation of the internal auditor's recommendations in accordance with audits he has conducted. The Company has also built databases of suppliers and customers, which are administered and secured in accordance with the requirements of the law, and it has purchased insurance coverage in respect of cyber attacks.

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

- G. Activity abroad – due to the Company's activity in various countries around the world, activity that has increased in recent years, the supervision and control options are inferior to the options for organic activity in Israel. The limited controls mainly lead to delayed detection of sources of problems, insofar as these exist, in the Company's activity in isolated sites, and prevent the Company from responding as quickly as needed. The Company is also exposed to risks deriving from the very fact that it is active in foreign countries (including political and state risks) and risks deriving from webcomic slowdowns in these countries, which will lead to decreased demand for the Company's services and to price pressures and reduced margins.
- H. Dependence on customer sectors – electric companies, telecom and vehicle charging – The Company considers the electric companies, telecom and electric vehicle charging sectors as sectors which are material to its activity (both in Israel and abroad). If the Company's engagements with some of its customers in these sectors are discontinued simultaneously, or if the scope of its activities with some of its customers are significantly reduced, or if there is a material negative change in the terms of its engagement with these customers, or if a significant downturn occurs in these sectors that leads to a drop in demand for the Company's products, the Company's operating results could suffer as a result.
- I. Fixed-price contractual engagements with customers – some of the Company's revenues are derived from engagements in fixed-price contracts. The pricing for these obligations is based on future estimated costs. The Company's inability to accurately estimate the resources needed to implement projects at a fixed price, properly estimate salary costs of workers during these projects (including expected salary costs during the project) or complete its obligations on the dates set for this, may impact the Company's business results. This risk will increase in a direct ratio to an increase in the scope of the projects at a fixed price being performed by the Company, in light of the Company's trend to expand its project activity.

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

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

Table of risk factors

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

	Extent of risk factor’s impact		
	Major impact	Moderate impact	Minor impact
Macro risks			
Operation Swords of Iron		X	
Macro-economic environment in Israel		X	
Fluctuations in raw material prices		X	
Exposure to changes in exchange rates		X	
Fluctuation in shipping availability and prices	X		
Increases in fuel and energy costs		X	
Russia-Ukraine war			X
Industry risks			
Competition			X
Changes in regulation			X
Technological developments		X	
Slowdown in research and development process		X	
Human capital	X		

	Extent of risk factor's impact		
	Major impact	Moderate impact	Minor impact
Uncontrolled growth			X
Protecting intellectual property		X	
Reliance on manufacturers		X	
Ability to raise capital and sources of finance	X		
Handling of technical failures		X	
Environmental risks associated with the Company's field of activity			X
Transition from limited scope production to serial / mass production		X	
Risks unique to the Company			
Pricing		X	
Demand for the Company's products	X		
Inventory levels		X	
Non-success of research and development processes	X		
Past performance		X	
Cybersecurity and information security	X		
International activity		X	
Dependence on customer sectors – electric companies, telecom companies and electric vehicle charging companies	X		
Contractual engagements with customers on the basis of a fixed price			X
Legal risks			X

It is noted that the identification of the risk factors and their influence on the Company were presented on the basis of the Company's estimates, and it is possible that in practice there are risk factors that have not yet been identified or whose influence differs from the above. Additionally, the information included in section 33 above regarding the possible occurrence of future events that may influence the Company's business and financial position constitutes forward-looking information, as defined in the Securities Law, the occurrence of which is dependent on factors which are not under the Company's control. No certainty exists that the information will occur in practice, or that the results of its occurrence will be according to the Company's estimates.



Chapter B - Board of Directors' Report Regarding the State of the Company's Business For the Year Ended December 31, 2023

The Company's Board of Directors is hereby honored to present the Board of Directors' Report Regarding the State of the Company's Business for the year ended March 31, 2023, pursuant to the Reports Regulations.

All of the data presented in this report refer to the Company's consolidated financial statements as of December 31, 2023, unless noted otherwise.

The Board of Directors' Report includes a limited review of the subjects covered herein. It is clarified that the description provided in the Board of Directors' Report includes only information which the Company considers material information, and that the report was prepared based on the assumption that the reader has the chapters of the Periodic Report.

1. Board of Directors' remarks regarding the Corporation's business position, operating results, equity and cash flows

1.1 Description of the Company and its business environment

1.1.1. The Company was incorporated and registered in Israel on February 21, 2011, in accordance with the provisions of the Companies Law, as a private company limited by shares, under its current name. On November 18, 2020, the Company completed an initial public offering of its shares by virtue of the prospectus, and accordingly, the Company became a public company, as this term is defined in the Companies Law, and also a reporting corporation, as this term is defined in the Securities Law.

1.1.2. The Company is a producing technology company which is engaged in the planning, development, production, marketing and provision of after sale services for alkaline fuel cell-based energy systems featuring the production of green energy without creating carbon dioxide emissions, using hydrogen or ammonia as fuel, in response to the growing need for green energy as an alternative to internal combustion engines based on oil substitutes, and to provide a solution for a weakness in the current power grid, which does not allow the availability of electricity anytime and anywhere. The Company's systems are designed to provide uninterrupted power supply solutions for critical points in the economy, and mobile electricity solutions for off-grid geographical areas. The technology which has been developed in the Company, and which is protected through patents and trade secrets, places the Company in a central and unique position in the energy market in general, and in the global fuel cell market in particular, especially in terms of the clear competitive advantages on all matters associated with the production of electricity in extreme weather conditions, and the production of electricity from ammonia. The Company has a clear patent filing strategy, within

the framework of which the Company make sure to file payments for innovative subjects that it believes could grant it a significant advantage and generate value for it. For additional details, see section 20.1 in Chapter A of the Periodic Report.

- 1.1.3. Beginning in July 2023, GenCell Inc.¹, a wholly owned subsidiary of the Company, commenced activity in the United States, in a scope which is immaterial to the Company as of the publication date of the report. For additional details regarding the activity in the United States, see section 3 in Chapter A of the Periodic Report.
- 1.1.4. As of the publication date of the report, the Company employs 136 staff members, reflecting a decrease of approximately 13% relative to the end of 2022, which were mostly due to the Company's efforts to reduce expenses, as specified in section 1.1.5 below.
- 1.1.5. The Company is working to reduce the cost of sales, and as part of these efforts, inter alia, the Company has formulated a plan to reduce the cost of its products, including through changes in the Company's development, product engineering, operating, manufacturing and purchasing processes. As of the publication date of the report, the Company successfully reduced its cost of sales by 36% during the Reporting Period, and the Company expects another significant reduction of around 20% in 2024.

The Company is also working to reduce its current expenses, and as part of these efforts, inter alia, the Company has reduced the Company's workforce, as of the balance sheet date, by approximately 15%, and expects to further reduce its workforce, and to reduce operating and office areas as well, in 2024.

As part of the above, Messrs. Asher Levy, Rami Reshef, Yossi Salomon, Gennadi Finkelshtain, Gil Shavit, Haim Moshe, Shmulik Peretz and Ariel Machtey (the "**Officers**") contacted the Company with a request to voluntarily reduce their salaries (in the range of 10%-20%), for a period of six months beginning on January 1, 2024. For additional details regarding the rate of each officer's pay cut, see chapter D of the Periodic Report.

The Company expects the foregoing reduction of current expenses to result in savings of approximately 25% in current monthly expenses, which amounted to a total of approximately USD 2.1 million during the Reporting Period, and amounted to a total of approximately USD 1.6 million as of the publication date of the report. The Company believes that these processes could result in a transition to positive gross profit in 2024.

- 1.1.6. As of the Reporting Date, the Company held approximately USD 33.2 million (of which, USD 1.8 million are held in pledged deposits), which, in accordance with the Company's business plan and its current "cash burning" rate, will allow the Company to finance its operating expenses (without restocking new inventory or fixed assets) for a period of approximately 18 to 20 months after the date of the financial statements.

¹ GenCell Inc. was incorporated on October 30, 2017, pursuant to the laws of the State of Delaware (U.S.), and from the date of its establishment until the first half of 2023, it had no business activity.

1.1.7. During the Reporting Period, the Company's revenues amounted to a total of approximately USD 4,864 thousand, reflecting a decrease of approximately 34% relative to the Company's revenues in the corresponding period last year. The Company's revenues in the second half of the Reporting Period amounted to a total of approximately USD 4,376 thousand, reflecting an increase of approximately 896% relative to the Company's revenues in the first half of the Reporting Period. However, the Company has agreements in respect of which it believes that it will recognize additional revenue during the first half of 2024. For the Board of Directors' explanations regarding the Company's revenues during the Reporting Period, see section 1.6 below. For details regarding the impact of Operation Swords of Iron on the Company's activity, see section 1.4.1 below.

Despite the decrease in revenue relative to the corresponding period last year, the Company continued investing significant efforts and resources in the development of infrastructure to support collaborations, including several installations in different countries vis-à-vis leading companies in the Company's areas of interest, for the purpose of (inter alia) creating a marketing infrastructure for the Company's systems to support engagements with other international companies, beyond the companies in which the Company's systems have already been installed. These processes involve maturation processes which usually mature after a period of several months.

The Company believes that the Company's total sales for 2024 will amount to approximately USD 12-14 million, whereas of the publication date of the report, the Company has several business processes in the pipeline, at a scope of approximately USD 57 million, which are in different stages of progress, in the main markets and geographical regions where it has activity, of which, the Company estimates that approximately USD 19 million could mature into revenue in 2024.

1.2 **Business activity**

1.2.1. The Company focuses its business activities on three main markets in which the Company has identified a problem or a need, for which it provides a value offer, in the form of an appropriate product, as specified below (for additional details regarding these markets, see section 9.1 in Chapter A of the Periodic Report).

(A) **Electric companies market** -

The Company continues to view the electric companies market, and particularly, the ability to provide long term backup power to the transformer rooms of electric companies, as a future growth engine for its products. The Company markets the REX system, which is intended for transformer rooms of electric companies, in which continuous voltage of 130 VDC and 48 VDC must be maintained at all times, for extended periods of time, in order to ensure the continued proper operation of the electric companies' distribution networks. The solution offered by the REX system is intended to make the use of battery and diesel rooms unnecessary.

On December 18, 2023, the Company entered into an agreement to provide dozens of REX systems (the “**Systems**”), vis-à-vis the local partner in Mexico which won a tender to supply systems to CFE. The Company is responsible for supplying and shipping the systems, and for providing the related support services, which are intended for installation at transformer stations of CFE. As of the publication date of the report, 74 systems are installed and operating at CFE since 2021, and 52 additional systems are currently being installed. For additional details, see section 12 in Chapter A of the Periodic Report.

In this market, the Company continued its efforts to expand its collaboration with existing customers, and to find new customers, inter alia, through GenCell Inc., which works to deepen the penetration to electric companies in the United States, following the successful installations for CFE in Mexico.

(B) **Telecom market** -

The Company markets the BOX system, which is intended to backup field sites of telecom companies with continuous voltage of 48Vdc, as part of backup systems, including support for the telecom infrastructure of 5G networks. The inability of electric companies to install infrastructure which is required for the distribution of 5G networks is delaying distribution of the network, and delaying the connection of certain sites. Additionally, the commitments of global telecom players to reduce CO₂ emissions present a window of opportunity for the Company’s value offer. As of the publication date of the report, in this market, the Company is marketing the 48Vdc BOX product. The Company’s products are intended to provide output voltage of 48 VDC, with a capacity of approximately 5kW, for telecom sites in case of power outages, thereby ensuring their continuous operation.

During the Reporting Period, the Company concluded the full integration of telecom infrastructure for 2 leading telecom equipment suppliers: Ericsson of Sweden, and Huawei of China.

The Company has installed its products for leading players in this market, including Vodafone Telekom, Deutsche Telekom, and others. Already during the Reporting Period, the Company completed the field trial of the BOX system, and the successful connection thereof to the systems of Deutsche Telekom, in accordance with the collaboration agreement with Deutsche Telekom. For additional details regarding the collaboration agreement with Deutsche Telekom, see section 28.4 in Chapter A of the Periodic Report.

During the Reporting Period, the Company established itself as a company which has accumulated experience in working with global telecom companies and companies providing leading telecom infrastructure.

Already during the Reporting Period, as part of the preparations of a leading telecom company in Europe, towards engaging in an agreement with a third party, the Company received notice from the telecom company that it was chosen as a preferred company, among several European companies

specialized in the provision of fuel cells for the telecom market, and for engaging with the Company in an agreement to provide products and related services in the amount of approximately USD 5 million.

As of the publication date of the report, the telecom company has not yet engaged in the foregoing agreement, and a final decision regarding the transaction is expected to be made during the first half of 2024.

(C) **Electric vehicle charging market** -

In this market, the accelerated adoption of electric vehicles is challenging power grids worldwide. In this market, the Company offers a solution which allows the provision of energy at high outputs for vehicle charging, and in parallel, also the provision of electricity in emergency situations due to the increase in power outages resulting from the sharp increase in the frequency of weather hazards (e.g., typhoons, storms, etc.). The proposed system is multi-disciplinary, and allows several uses, from vehicle charging, offering solutions as a backup system and mobile power supply system which can be transported in emergency situations, and which is capable of providing electricity in disaster areas.

During the Reporting Period, most of the Company's marketing and sales efforts in respect of the EVOX system were focused in the United States, based on the Company's belief that this market presents significant growth potential, due to, inter alia, the weakness of the power grid, increasing use of electric vehicles at high rates, tax incentives and investments to encourage green energy infrastructure. As part of the activity in the United States, the Company is expanding its collaborations, inter alia, with American electric companies and companies providing services and products to electric and energy companies, in order to substantiate its position in the American market, and increase its base of potential customers, and its ability to provide services to its customers. The most recent partners include several American companies with extensive distribution, including Instant On, Plemco, INF, Techflow, Turtle Western Pump and Energy One. For additional details regarding the EVOX system, see section 9.2(C) in Chapter A of the Periodic Report.

During the Reporting Period, the Company worked, through GenCell Inc., on creating potential collaborations within the framework of pilots in various states in the USA, to study and test the technology and its ability to serve as a solution for charging various vehicles, which will include supplying the Company's EVOX systems.

In this regard, on March 29, 2024, GenCell Inc. received an order from the University of California, Los Angeles (UCLA) to rent the EVOX system for a period of 3 years, which will be the first installation of this product in the United States. The installation of the system at UCLA is intended to resolve the shortage of electricity solutions for electric vehicle charging, and to provide electricity backup and emergency operations on campus. Following

the installation of the system at UCLA, the Company intends to turn the site into a demonstration site in the United States for potential customers of the Company. The Company believes that the installation of the system at UCLA has central importance in the ability to present and demonstrate the profitability and value which the system offers to electric vehicle charging providers in the United States, to vehicle fleet managers, and to electric companies in the United States, and thereby to promote additional engagements with potential customers in the American market. The Company expects this installation to be completed during the first half of 2024.

As of the publication date of the report, the foregoing additional processes have not yet matured, and the Company is unable to estimate the probability of materialization of the potential business opportunities.

1.2.2. In light of the foregoing, the Company prepares, from time to time, on the level of inventory and the product supply plan, in order to ensure that if and insofar as these processes mature, it will be capable of fulfilling the timetables.

1.3 **Technology, research and development**

During the Reporting Period, the Company continued investing significant efforts and resources in several areas of research and development, as follows:

1.3.1. The Company continued promoting the intensified development of OX, which will allow it to expand its array of offered systems in its operating markets to a capacity of 10KW and above, and also to enter new markets in which it is not currently engaged. During the Reporting Period the planning of a prototype was completed, including the development of a new fuel cell based on a new electrode with significantly higher energetic efficiency than the current electrode, and which will thereby allow the Company to offer a system with a better cost to kilowatt ratio. The OX system is operating in the Company's laboratories as part of the development program. In 2024, the Company will continue the process of developing the OX system, and will complete a prototype which is intended for integration into an ammonia-fueled product.

1.3.2. Following a series of field trials which the Company conducted in several sites in Europe, including telecom companies such as 112 in Iceland and Deutsche Telekom, and in light of insights which arose from those trials, the Company is continuing the development and maturation of the FOX system. As part of the conclusions which arose from the field trials, the Company decided to split the development plan such that, on the one hand, the development of the FOX system will continue, but instead of providing 5kWh, it will provide 10kWh. The Company later decided to integrate the OX system into the FOX system platform.

1.3.3. The Company also decided to promote the development of an independent ammonia cracking unit (ACU). This development will allow the Company to connect to all hydrogen consumers, who will have the opportunity to receive hydrogen at a competitive price, thanks to the Company's ability to extract hydrogen from ammonia, which is a leading hydrogen carrier.

- 1.3.4. During the Reporting Period, the Company completed the development of the GenCell Games EDGE IOT software, which offers the Company's customers full monitoring and maintenance of each of its units remotely, and ensuring operational continuity, without going to the unit. During 2023 and in the first quarter of 2024 this solution was installed for most of the Company's systems which are installed in the field.
- 1.3.5. During the Reporting Period, the Company has developed GenCell Games, the energy management software for the EVOX system. During the Reporting Period, the Company completed VOX - a preliminary version which allows optimal management of different energy sources connected to the EVOX system, and high output charging of electric vehicles. This software features the ability to manage the various energy sources, in order to increase the efficiency of use and reduce operating costs.
- 1.3.6. The Company intends to continue developing the energy management software for EVOX in 2024, and to release a second version in 2024, which will allow managing the energy system of vehicle fleets, and operating a DER (distributed energy management) system.
- 1.3.7. During the Reporting Period, the Company continued its efforts towards producing green ammonia directly from water, at very low pressure and temperature levels relative to the ammonia production processes which are currently known around the world. In this regard, the Company engaged in the strategic collaboration agreement with TDK in 2021, under which they have invested in the project, for the purpose of continuing its development. For additional details, see section 28.3 in Chapter A of the Periodic Report. During the Reporting Period, the Company reached the stage of green ammonia production in its laboratories, after concluding the development and creation of a low-scale alpha prototype, which is functional and operating at the Company's laboratories. In the second half of 2023, the Company focused its development efforts on increasing the amounts of ammonia produced in the system, in accordance with its work plan. As part of these efforts, the Company has achieved significant progress in the development processes, and succeeded in achieving faradaic efficiency of 50% in the chemical reaction in the production of green ammonia, as compared with approximately 25% in the traditional method, by developing new methods and techniques to overcome the most challenging stages of the nitrogen reduction reaction (NRR) process. For additional details, see section 11.3 in Chapter A of the Periodic Report.

It is clarified that the information, estimates and forecasts presented above, including the progress on the development of the systems and their technologies, the success of the collaborations within the framework of the green ammonia project, the materialization of strategic collaborations, the success of pilot programs, the receipt of the additional order in CFE's tender, engagements in respect of which the Company expects to recognize revenue, the maturation of business processes, and the success of the product cost reduction plans, as described above, constitute forward looking information, as defined in the Securities Law. These estimates, information and

forecasts may not materialize, entirely or partially, or may materialize differently from the prediction, including the promotion of business processes, and the sale of additional products of the Company. These estimates, information and forecasts are based on the information which was available to the Company as of the publication date of the report, and are not under the Company's control.

1.4 Impact on the Company's business position

1.4.1 Operation Swords of Iron

For additional details regarding Operation Swords of Iron, see sections 7.1 and 33.1 in Chapter A of the Periodic Report. The Company has continued its activities and maintained operational continuity, subject to the restrictions and orders which have been issued by the Home Front Command from time to time, while cautiously balancing between the Company's commitment to protect the safety of its employees, and the need for business continuity. When the war began, around 13% of the Company's employees were called up for reserve military service, and towards the end of the Reporting Period, the Company's employees began returning from reserve military service, while some still serve in active reserve military service from time to time, and in accordance with the needs of the IDF. When the war began, there were difficulties in receiving various international parties (including employees, suppliers and customers). As of the publication date of the report, this difficulty is no longer an issue. Additionally, since the war broke out there have been delays in raw material shipments to Israel, which are immaterial to the Company at this stage. When the war began, the Company worked vis-à-vis its customers and presented its ability to operate during this challenging period.

The Company believes that the decrease in revenue during the Reporting Period, relative to the corresponding period last year, was partially due to the number of orders which the Company was expected to receive, and which were postponed due to the war. The Company believes that the above constitutes a deferral, and not a cancellation, and still expects to receive these orders in the first half of 2024.

As of the publication date of the report, the Company believes that the war's consequences are not significantly affecting the Company, and are not significantly affecting the Company's business activities. The Company also believes that the war could affect the Company's liquidity and financing sources. In light of the fact that an intensification of the war could cause additional damage to the Israeli economy, which would also be reflected in an increase of currency exchange rates, the Company could also be adversely affected, on that level, due to the ongoing war.

The current period involves significant uncertainty regarding the war's development, scope, duration and consequences, and therefore, as of the publication date of the report, the Company is unable to estimate the war's full impact on the Company's activity, business and results, whether in the short, medium or long term. The Company believes that insofar as the war continues for an extended period and/or escalates to additional fronts, it could have significantly

negative consequences on the Israeli economy, and therefore could also have significantly negative consequences on the Company's activity.

The Company is continuing to closely monitor the developments, and will continue giving updates, as required, regarding the significant effects of the war's continuation on the Company's activity, if any.

1.4.2 **Russia-Ukraine war**

For additional details regarding the Russia-Ukraine war, see sections 7.2 and 33.1 in Chapter A of the Periodic Report. The Company receives development services from two Russian service providers, which are continuing to provide it with the services as of the publication date of the report, despite the various sanctions which have been imposed on Russia, Belarus and their citizens. However, at the end of the Reporting Period, the Company was unable to execute bank transfers to the accounts of those service providers, although the services they provide have not been discontinued. The war led to the temporary discontinuation of the development services on the catalyst for the FOX system by the Belarussian company, as well as the production services of the Company's ammonia cracking unit, which were given to the Company by a Ukrainian service provider. In light of the above, the continuation of work with the Belarussian provider is uncertain at this stage, and the Company found an alternative to this service, and accordingly, the Company believes that there will be no adverse effects on the results of this development.

1.4.3 **Impact of the macro-economic environment**

For additional details regarding the impact of the macro-economic environment on the Company's activity, see sections 7.3 and 33.1 in Chapter A of the Periodic Report. The Company believes, as of the publication date of the report, that the inflation rate and the increase in interest rates, as described above, are not significant affecting the Company's results or activity, including the Company's revenues, cost structure, profitability rate, financing costs and/or destabilization of its financial strength. However, the Company also believes that there could negative market effects on a global scale could occur, which may also affect the Company's potential customers, and thereby cause restraint or change in the intentions of some potential customers to buy the Company's systems. Additionally, insofar as the trend of increasing prices continues or intensifies, the risk of a decline in the Company's profitability could increase. On the other hand, since most of the Company's customers and potential customers are very well-established companies, such as electric companies, telecom companies, and energy companies, at this stage the Company does not expect an increase in its level of business risk due to the level of inflation and the interest rates. Furthermore, due to the fact that as of the Reporting Date the Company has not taken out any debt, the aforementioned interest rate increase benefits the Company and generates greater finance income on its deposits.

1.4.4 The economic situation in capital markets

As of the publication of this report, economic uncertainty exists in the Israeli or global capital market, which may have a negative impact on the Company's ability to raise additional capital, as needed, in order to complete the development of its products and expand its activity. The impact of the economic uncertainty on the capital market in general, and on the Company's stock in particular, has caused the Company's market value to fall below its equity, and in the implementation of IAS 36, the Company is required to amortize value in its financial statements.

It is noted that the forecasts described in this section 1.4 above are dynamic, and subject to change, in accordance with the guidelines and actions of the State of Israel and other countries, and at this stage, the Company is unable to estimate the full and final effect of these forecasts on the Company's activity.

The Company's estimates regarding the possible impact on the Company's business activities and results, as specified in this section 1.4 above, constitute forward looking information, as defined in the Securities Law, which is based, inter alia, on the Company's estimates as of the publication date of this report, in respect of factors which are not under its control. The Company's estimates are based on the information which is currently available to the Company, on related publications and forecasts, which are uncertain to materialize, in whole or in part, and which could materialize in a significantly differently way due to factors which are not under the Company's control.

1.5 Financial position

Presented below are items of the statement of financial position in accordance with the Company's (audited) consolidated financial statements as of December 31, 2023, and explanations of the main changes which have occurred therein (in thousands of USD):

Item	As of December 31		Change	Board of directors' remarks
	2023	2022		
Current assets	42,684	69,932	(27,248)	The change was mostly due to: (A) the decrease in deposits in the amount of approximately USD 21.8 million; (B) the decrease in cash and cash equivalents in the amount of approximately USD 5.7 million, for operating activities; (C) the decrease in other receivables in the amount of approximately USD 0.7 million; and (D) the decrease in trade receivables in the amount of approximately USD 1 million, due to proceeds from customers in the amount of approximately USD 2.4 million. As well as a decrease of approximately USD 1.4 million due to the classification of long term trade receivables.

Item	As of December 31		Change	Board of directors' remarks
	2023	2022		
				On the other hand: (A) the increase in a restricted deposit in the amount of approximately USD 1.2 million, which was reclassified from long term to short term; and (B) the increase in the balance of inventory in the amount of approximately USD 0.7 million, in respect of purchases for future orders.
Non-current assets	12,770	14,045	(1,275)	The decrease was mostly due to: (A) the decrease in restricted deposits in the amount of approximately USD 1.1 million, due to the decrease following the reclassification of a pledged deposit from long term to short term, in the amount of approximately USD 1.2 million. On the other hand, the increase in the amount of approximately USD 0.1 million in rental deposits; (B) the decrease of approximately USD 0.7 million due to a right-of-use asset in respect of the lease of the Company's office areas; (C) the decrease in fixed assets in the amount of approximately USD 0.2 million, due to the increase in purchases of fixed assets in the amount of approximately USD 1.9 million, after offsetting depreciation expenses in the amount of approximately USD 0.4 million, and impairment which was applied by the Company in respect of its assets in accordance with IAS 36, in the amount of approximately USD 1.7 million as of the Reporting Date (on December 31, 2022, the Company depreciated fixed assets in the amount of approximately USD 3.3 million); and (D) the decrease in the amount of approximately USD 0.7 million due to the provision for credit risks in respect of a loan which was given. Against the increase of approximately USD 1.4 million due to the classification of long term trade receivables.
Total assets	55,454	83,977	(28,523)	-
Current liabilities	6,504	9,556	(3,052)	The decrease was due to: (A) the decrease in the item for trade payables, in the amount of approximately USD 1.1 million; (B) the decrease in the amount of approximately USD 1.5 million, due to a hedge liability following exchange rate changes; (C) the decrease in payroll in the amount of approximately USD 0.3 million; and (D) the decrease in the balance of expenses payable in the amount of approximately USD 0.1 million.

Item	As of December 31		Change	Board of directors' remarks
	2023	2022		
Non-current liabilities	6,628	7,488	(860)	The decrease was due to the decrease in lease liabilities following the execution of lease payments.
Total equity	42,322	66,933	(24,611)	The decrease was due to: (A) loss in the amount of approximately USD 28.3 million; and (B) the decrease of approximately USD 1.4 million due to the forfeiture of options of employees who left during the year. On the other hand, there was an increase in respect of: (A) share-based payment in the amount of approximately USD 3.4 million; and (B) a capital reserve in respect of cash flow hedge for the period in the amount of approximately USD 1.7 million.

1.6 Operating results

Presented below are the Company's condensed statements of income (in thousands of USD):

Item	For the year ended December 31		Change	Board of directors' remarks
	2023	2022		
Sales	4,864	7,403	(2,539)	The decrease in revenue in 2023, relative to the revenue in 2022, was mostly due to the decrease in sales of the Company's systems. For details regarding the consequences of Operation Swords of Iron, see section 1.4.1 above.
Cost of sales	10,034	10,054	20	The cost of sales was maintained in the years 2022 and 2023, despite the decrease in sales, mostly due to the increase in the number of manufacturing and operations employees, to support the growth of the production capacity in 2023, which was doubled relative to last year. It is noted that as part of the accounting policy adopted by the Company, it does not discount the plant and labor expenses of the various manufacturing processes, and those expenses were therefore included under cost of sales, and were not capitalized to inventory.
Gross loss	5,170	2,651	2,519	The increase in gross loss was mostly due to the decrease in the Company's revenues in 2023 relative to 2022, and as stated above, due to the much larger scope of production in 2023 relative to 2022.

Item	For the year ended December 31		Change	Board of directors' remarks
	2023	2022		
Research and development expenses, net	13,208	7,856	5,352	In 2022, the Company capitalized some of the research and development costs (approximately USD 6.3 million). This capitalization was discontinued in 2023 (see Note 11 in Chapter C of the Periodic Report) taking into account capitalized costs in 2022, the Company's R&D costs decreased in 2023 by approximately USD 1 million, mostly due to the reduction of workforce and the reduction of research and development expenses for the various projects.
Selling and marketing expenses	4,161	5,320	(1,159)	The decrease was mostly due to the decrease in respect of share-based payment in the amount of approximately USD 1.3 million (an employee who resigned).
General and administrative expenses	7,056	6,111	(945)	The increase was mostly due to the provision for expected credit loss which the Company created in respect of a loan which was given to a business partner, and customer debt in the total amount of approximately USD 1 million, as well as an increase in overhead expenses of approximately USD 200 thousand, against a decrease of approximately USD 300 thousand in payroll.
Impairment loss of intangible assets	-	11,472	(11,472)	In 2023, the Company did not capitalize product development costs, due to the significant decrease in the share price, which reflected a lower value for the Company than the value of its equity in the financial statements, since in 2022, all of the assets which had been capitalized in prior years were entirely amortized, and the Company decided not to capitalize the development costs until there was a significant increase in the Company's value.
Impairment loss of fixed assets	1,716	3,389	(1,673)	The losses in 2023 were due to the depreciation of part of the value of fixed assets as included in the Company's books, which was performed due to an impairment test which the Company conducted in respect of its assets in accordance with IAS 36, which the Company required due to the significant decrease in the share price, which reflected a value for the Company that was less than the value of its equity as of the Reporting Date.
Operating loss	31,311	36,799	(5,488)	-
Finance income (expenses)	3,038	287	2,751	The increase in finance income was mostly due to changes in the USD exchange rate in 2023, and the increase in interest income from deposits in the

Item	For the year ended December 31		Change	Board of directors' remarks
	2023	2022		
				amount of approximately USD 0.3 million, due to the increase of the interest rate in 2023. There was also interest income in respect of a loan in the amount of approximately USD 0.4 million, and exchange differences in the amount of approximately USD 3.2 million, against a decrease in the amount of approximately USD 0.7 million due to finance expenses in respect of leases and grants, and a decrease in the amount of approximately USD 0.5 million in respect of hedge transactions.
Other income	28	27	1	Income in respect of the sale of waste and metals.
Taxes on income	57	191	(134)	The decrease was due to the decrease in advance payments for excess expenses which the Company paid in 2023, mostly due to a Company event which was held in 2022.
Other comprehensive income (loss)	1,712	(1,658)	3,370	The decrease in expenses in respect of cash flow hedging was mostly due to NIS/USD hedge transactions, due to changes in the USD exchange rate in 2023.
Loss for the period	26,590	38,334	(11,744)	-

For details regarding the condensed statements of comprehensive income for each half year in 2023, see also Regulation 10A in Chapter D of the Periodic Report.

1.7 Liquidity and financing sources

1.7.1 Analysis of the Company's Consolidated Statements of Cash Flows

Item	For the year ended December 31		Change	Board of directors' remarks
	2023	2022		
Cash flows from operating activities	(25,466)	(21,983)	(3,483)	The increase in cash flows from operating activities in 2023 was mostly due to the fact that the Company discontinued the capitalization of R&D costs in 2023, relative to the capitalization of R&D costs on a cash basis in the amount of approximately USD 5.2 million in 2022, which were classified as investing activities under cash flows.
Cash flows for investing activities	20,903	(12,396)	33,299	The change was mostly due to a decrease of approximately USD 21.4 million from the release of deposits, as compared with the corresponding period last year, in which approximately USD 5.2 million was invested in deposits. Additionally, during the Reporting Period there was no capitalization of development costs, while in the corresponding period last year, a total of approximately USD 5.2 million was invested. There was also an increase in proceeds in respect of the loan which was given in the amount of USD 1.5 million.
Cash flows from financing activities	(1,300)	33,279	(34,579)	The decrease was mostly due to a private issuance to institutional investors which took place in the first half of 2022, in the amount of approximately USD 34 million, after deducting issuance costs.

1.7.2 Details regarding financing sources

The Company finances its activity out of the proceeds from its initial public offering in November 2020, the second offering in April 2021, the private issuance to institutional investors in January 2022, and current revenue from customers.

Presented below are details regarding average monthly credit balances in the years 2022 and 2023:

Average monthly total	2023	2022	Explanation
Long term credit	-	-	The Company does not have long term credit
Short term credit	364	-	Temporary bank overdraft
Supplier credit	1,385	2,493	Balance mostly due to purchasing of inventory
Customer credit	5,842	5,450	Balance mostly due to two major customers

For additional details regarding the Company's financing sources, see section 24 in Chapter A of the Periodic Report.

1.7.3 **Liquidity**

Based on the financing sources which are available to the Company, the Company has the ability to continue financing its operating activities, without restocking new inventory or fixed assets, for a period of approximately 18-20 months after the approval date of the financial statements. For details regarding increased efficiency measures which are being implemented by the Company to reduce its current expenses, see section 1.1.5 above.

As of the Reporting Date, the Company has a balance of the loan which was given to the local partner in Mexico in the amount of approximately USD 1.9 million, against a provision for credit risks in respect of the loan in the amount of USD 1.9 million.

Additionally, as of the Reporting Date, the Company has a balance of customer debt of EV Motors in the amount of approximately USD 3.8 million, against a provision for credit risks in respect of the loan in the amount of USD 0.6 million.

For additional details regarding debt distribution arrangements which the Company has reached with them, see Note 31 to Chapter C of the Periodic Report.

Insofar as these amounts are not collected, it could adversely affect the Company's liquidity position, although not in the immediate period of 12 months after the approval date of the financial statements.

1.7.4 **Provision for impairment**

In 2023 and 2022, the Company recognized in its financial statements impairment loss in respect of assets up to the amount of their fair value, net of the disposal costs in respect of those assets as single assets, as specified in Note 10 in Chapter C of the Periodic Report.

The impairment loss which the Company recognized in the books in 2023 and 2022, in the amount of approximately USD 1,716 thousand and USD 3,389 thousand, respectively, was attributed to the item for fixed assets, and included under the item for impairment loss of fixed assets in the statement of income. Additionally, a total of approximately USD 11,472 million in 2022 was attributed to intangible assets, and included under the item for impairment loss of intangible assets in the statement of income.

2. **Aspects of corporate governance**

2.1 **Policy regarding donations and social responsibility**

The Company has no donations policy, and each donation request is evaluated on its own merits. During the Reporting Period, the Company donated immaterial amounts to military reservists, and to the Olympic rower Danny Friedman. It is also noted that the Company, its managers, and its employees, actively contribute to the development of community life and the environment. The Company participates in personal volunteering projects through its employees and managers.

In recent years there has been increasing awareness of the effects of environmental, social and governance risks on the business activities of companies. In light of the above, the Company worked on formulating a work plan to implement work and production processes which take into account ESG considerations and the assessment of ESG risks in the Company. In June 2023, the Company published an ESG report for 2022.

2.2 **Directors with accounting and financial expertise**

In accordance with section 92(A)(12) of the Companies Law, on September 21, 2020, the Company's Board of Directors determined that the minimum appropriate number of directors with accounting and financial expertise will be 2 directors. The Company believes that this number of directors with accounting and financial expertise will allow the Board of Directors to fulfill its obligations in accordance with the law and the incorporation documents, and particularly in respect of its responsibility to evaluate the Company's financial position, and the preparation and approval of the financial statements. As of the Reporting Date, the Company is fulfilling the minimum appropriate number of directors with accounting and financial expertise, as determined by the Company's Board of Directors, with 4 directors with accounting and financial expertise serving on the Company's Board of Directors. For details regarding the members of the Company's Board of Directors, including those with accounting and financial expertise, see regulation 26 in Chapter D of the Periodic Report.

2.3 **Independent directors**

As of the Reporting Date, the Company's Board of Directors includes 3 directors who have been classified by the Company as independent directors. It is noted that the Company's articles of association do not include any provision regarding the minimum number of independent directors. After the Reporting Period, Messrs. Emanuel Avner and Sagi Eitan were appointed for an additional (second) three year term. For details regarding the Board members, including those who are independent directors, see regulations 26 and 29 in Chapter D of the Periodic Report.

2.4 **Disclosure regarding the Company's internal auditor**

2.4.1 **Details of the internal auditor**

Name:	Gil Rogozinski
Commencement of tenure:	March 24, 2021
Skills and qualification for the position:	Certified Public Accountant; B.A. in Business Administration and Accounting, The College of Management Academic Studies; Managing partner of the internal auditing and business consulting department at Focus Operational Financial Consulting Services Ltd.;
Identity of the internal auditor's supervisor in the organization:	Chairman of the Board

2.4.2 **Appointment of the internal auditor**

The appointment of the internal auditor was approved by the Company's Audit Committee on March 3, 2021, and by the Company's Board of Directors on March 21, 2021, based on the auditor's qualifications and experience, as specified above, and in consideration of, inter alia, the scope and complexity of the Company's activity.

2.4.3 **Disclosure regarding the internal auditor**

The Internal Auditor fulfills the conditions prescribed in section 3(a) of the Internal Audit Law, 1992 (the "**Internal Audit Law**"). The internal auditor fulfills the conditions of section 146(b) of the Companies Law, and the conditions of section 8 of the Internal Audit Law.

The internal auditor does not fulfill any other responsibilities in the Company, beyond his tenure as the Company's internal auditor. To the best of the Company's knowledge, the internal auditor does not perform any position outside of the Company which creates, or could create, a conflict of interests with his role as the Company's internal auditor, and does not hold any securities of the Company.

The internal auditor is not an interested party in the Company, is not an officer of the Company, and is not a relative of any of the above, and does not serve as the Company's independent auditor.

The internal auditor does not have any significant business ties or other significant ties with the Company or any entity related to the Company.

2.4.4 **The internal auditor's audit plan**

The internal audit plan is annual, which is derived from the multi-year audit plan, and is in accordance with a resolution of the Company's Board of Directors, following the submission of a recommendation of the Company's Audit Committee, whereby the internal auditor has the discretion to deviate, to an immaterial extent, from the audit plan, in coordination with the Audit Committee Chairman, and in accordance with the Company's needs. The multi-annual work plan for the years 2022-2026 was determined based on the risk survey which was approved by the Audit Committee during the Reporting Period. The audit plan focuses on the risks which apply to the Company, and directs the auditor's activity to more sensitive areas, including cybersecurity, management, manufacturing, finance, and others.

The internal audit plan, the determination of priorities and the frequency of audits are influenced by the following factors, inter alia: the exposure to risks associated with different activities, issues and activities which were determined, inter alia, based on a risk survey that was carried out by the internal auditor during the Reporting Period, the probability of existence of managerial and administrative flaws, issues regarding which audits may be requested by the Company's organs, issues requiring an audit by law, the provisions of internal or external policies, and periodic auditing requirements.

2.4.5 **Method of conducting the audit**

In accordance with the internal auditor's instructions, the audit is conducted in accordance with generally accepted professional standards, as prescribed in section 4(B) of the Internal Audit Law.

For the purpose of determining that the internal auditor meets the requirements which were determined pursuant to the Internal Audit Law, the Company's Board of Directors will rely on the internal auditor's reports regarding his compliance with professional standards and other provisions of the Internal Audit Law.

2.4.6 **Access to information**

The internal auditor has free access to the Company's documents, information and information systems, including financial data, in accordance with section 9 of the Internal Audit Law.

2.4.7 **Reports of the internal auditor**

The work plan for 2023 was discussed by the Audit Committee on December 14, 2022, and approved by the Company's Board of Directors on January 23, 2023, after receiving the recommendation of the Audit Committee.

The proposed work plan for 2024 was discussed by the Audit Committee on March 21, 2024, and not yet been approved by the Company's Board of Directors.

During the Reporting Period, the Company's Audit Committee discussed the internal auditor's audit reports, which were submitted to it in writing, on the following issues and dates:

Topic	Date of the discussion regarding the audit report
Material transactions	26.3.2023
Finance - Balances, banks and payments	10.7.2023
Information systems security	24.12.2023
Followup regarding the implementation of recommendations in audit reports conducted in 2022	21.3.2024
Material transactions	21.3.2024

2.4.8 **Board of Directors' assessment of the auditor's activity**

The Board of Directors believes that the scope, nature, and continuity of the internal auditor's activities and work plan are reasonable under the circumstances, and are sufficient in order to achieve the Company's internal auditing goals.

2.4.9 **Scope of employment and compensation**

The internal auditor's scope of employment is derived from the internal auditing requirements, in accordance with a resolution of the Company's Board of Directors, and with the recommendation of the Company's Audit Committee. In 2023, the internal auditor was employed at a scope of approximately 330 hours, and the internal auditor's salary amounted to approximately NIS 73 thousand. The internal auditor's did not focus on the subsidiary, GenCell Inc., in light of its limited scope of activity. The Company's Board of Directors believes that the compensation is reasonable, and should not affect the auditor's professional judgment when auditing the Company, in consideration of, inter alia, the way in which the internal auditor conducts the internal audit work in the Company, and the level of detail in the audit finding reports which he has submitted until now.

2.5 **Details regarding the auditor**

2.5.1 **Name of auditor**

The Company's auditor is the accountancy firm Brightman Almagor Zohar & Co.

2.5.2 **Fees of the auditor**

Year / Period	Professional fees in respect of auditing, audit-related services and tax services (in thousands of USD)	Professional fees in respect of other services (in thousands of USD)
2022	165	35*
2023	155	-

* In respect of services associated with ESG consulting.

2.5.3 **Method used to determine the auditor's professional fees**

The professional fees of the Company's auditor are determined according to the recommendation of Company management, in light of an estimate of the required audit work, and taking into account a comparison to the professional fees of external auditors in public companies which are similar to the Company, on all matters associated with their scope of activity, with reference to the expected scope of audit work in the reporting year, and after receiving the opinion of the Company's Audit Committee, that the salary paid to the auditor during the Reporting Period is appropriate. The entity responsible for approving the auditor's professional fees is the Company's Board of Directors.

2.6 **Buyback plan**

As of the publication date of the report, the Company has no buyback plans which are in effect.

2.7 **Internal enforcement plan**

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

of Directors appointed the Company's CFO, Mr. Yossi Salomon, as the Company's Internal Enforcement Supervisor.

In accordance with the provisions of the law, on December 24, 2023, the Company's Audit Committee approved criteria for evaluating and approving transactions with interested parties in the Company as non-extraordinary and immaterial transactions, which are intended to allow Company management to evaluate and decide independently whether certain types of activities and/or transactions constitute extraordinary transactions (in accordance the provisions of section 117(1A) of the Companies Law, or material activities (in accordance with the provisions of section 255 of the Companies Law), as part of the policy regarding the identification, approval and reporting of transactions with interested parties and officers, which was approved as part of the Company's internal enforcement plan (the "**Policy**").

According to the policy, in the absence of special qualitative considerations arising from all of the relevant circumstances, an interested party transaction which is not an extraordinary transaction will be considered as an interested party transaction which Company management is authorized to approve in case the scope of the transactions (in annual terms, in the case of current periodic payment) does not exceed the following:

- A. In transactions for the purchase of products / raw materials - in the total scope of up to USD 10 thousand per year;
- B. In transactions for the sale of products - in the total scope of up to USD 10 thousand per year;
- C. In transactions for the receipt of various operating services - in the total scope of up to USD 10 thousand per year;
- D. In transactions for the receipt of consulting and/or management services - in the total scope of up to USD 10 thousand per year;
- E. Gift vouchers for holidays and/or for personal events, vacations, continuing education, which the Company provides to its employees and/or sends them and/or finances for them (as applicable) from time to time - in the total scope of no more than USD 5 thousand per year for the interested party in question.

It is clarified that in accordance with the policy, a transaction which is not in the Company's ordinary course of business, or which is not under market conditions, or which could significantly affect the Company's profitability, assets or liabilities, is not classified as a transaction which Company management is able to evaluate and decide on independently.

In accordance with the provisions of the law, on December 14, 2023, the Company's Audit Committee reviewed the method for implementing criteria for evaluating and approving transactions with interested parties in the Company. As of the publication date of the report, no transactions whatsoever have been approved in accordance with the foregoing criteria.

2.8 Exemption from the requirement to attach a report and auditor’s opinion regarding the effectiveness of internal control

In light of the fact that the Company is a “small corporation”, as defined in Regulation 5C of the Reports Regulations and in accordance with the amendment, on March 27, 2023, the Company’s Board of Directors resolved to adopt, inter alia, also the expedient specified in Regulation 5D of the Reports Regulations regarding the exemption from the requirement to attach a report regarding the effectiveness of control (ISOX) (including the requirement to attach an auditor’s opinion).

3. Valuations

A material valuation was prepared for the Company in respect of fixed assets, including, inter alia, machinery, production and development equipment, and laboratory equipment. Presented below are details which are required in accordance with Regulation 8B(I) of the Reports Regulations:

Subject of the valuation	Machinery and equipment for manufacturing and development, and laboratory equipment
Date of the valuation	31.12.2023
Subject of the valuation	USD 3,808 thousand
Valuer	A. Zgoul Secur (2001) Ltd.
Experience in conducting valuations for accounting purposes in reporting corporations and in similar scopes as the reported valuations, or beyond those scopes	The valuers have extensive experience of many years in conducting valuations for machinery, equipment and industrial facilities, in scopes which are similar to, or greater than, the assets which are included in the reported valuation, both within the framework of the purchase price allocation, and within the framework of impairment testing
Dependence on the Company	No
Indemnity of the valuer	A letter of indemnity was given to the valuer. The letter of indemnity allows exposure of up to three times the professional fees which were received, except for full indemnification for issues related to information which was submitted by the Company
Valuation model	The market value approach, in respect of the domestic or international market, machinery and items of equipment, separately from infrastructure and leasehold improvements, under impairment testing, after neutralizing building attachments and leasehold improvements
Assumptions used by the valuer in conducting the valuation	The existence of a market for the machines and equipment in the local and/or international market for used equipment, existence of demand for equipment in accordance with the current situation on the measurement date
Impact on profit and loss	USD 1,716 thousand

4. Disclosure provisions regarding the corporation's financial reporting

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

As of the Reporting Date, the Company has not issued liability certificates, and in light of Amendment No. 2 to the Reports Regulations, 2022, the Company is not obligated to attach separate (stand-alone) financial statements pursuant to Regulation 9C and Regulation 38D of the Reports Regulations.

4.2 Use of critical accounting estimates

For additional details regarding the use of critical accounting estimates, see Note 4 in Chapter C of the Periodic Report.

The Company's Board of Directors and management would like to express their appreciation to the Company's employees and managers for their contributions and dedication to the promotion of the Company's activities.

Asher Levy, Chairman of the Board

Rami Reshef, CEO

Petach Tikva, March 31, 2024

GenCell Ltd.

Consolidated Financial Statements as of December 31, 2023

GenCell Ltd.

Consolidated Financial Statements as of December 31, 2023

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**Independent Auditors' Report to the Shareholders of
GenCell Ltd.**

We audited the accompanying consolidated statements of financial position of GenCell Ltd. and its subsidiary (hereinafter: the "Company") as of December 31, 2023 and 2022, and the consolidated statements of comprehensive loss, changes in equity and cash flows for The years then ended. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors Regulations (Auditor's Mode of Performance) - 1973. Those standards require that we plan and 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above adequately reflect, in all material respects, the financial position of the Company and of the consolidated company as of December 31, 2023 and 2022, as well as their operating results, changes in equity and cash flows for each of the two years in the period ended December 31, 2023, in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Securities Regulations (Annual Financial Statements) - 2010.

Key audit matters

The key audit matters specified below are the matters which were communicated, or which were required for communication, to the Company's Board of Directors, and which, in 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) pertains, or may pertain, to significant sections or disclosures in the financial statements, and (2) where our judgment regarding the matter was particularly challenging, subjective or complex. These matters were addressed in our audit and in the formulation of our opinion regarding the consolidated financial statements in their entirety. The communication of the following matters does not change our opinion regarding the consolidated financial statements, and we do not provide through it a separate opinion regarding these matters or regarding the sections or disclosures to which they refer.

Presented below are the key audit matters in the Company's consolidated financial statements for the year ended December 31, 2023:

Revenue recognition

As stated in Note 19 to the consolidated financial statements, in 2023 the Company recognized revenue from the sale of systems and related services in the amount of approximately USD 4.86 million. These revenues mostly arose from the

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engagement with the customer GenCell Mexico, as specified extensively in Note 15D.

As specified in Note 2L to the consolidated financial statements, the method for recognizing revenue in respect of the sale of systems to GenCell Mexico included exercising judgment by the Company management regarding the identification of the customer, identification of the performance obligations, and determination of the date and method of revenue recognition. We determined, in accordance with our professional judgment, and in light of the materiality of the transaction, that the recognition of revenue from the sale of the systems to GenCell Mexico, under the agreement from December 2023, constitutes a key audit matter.

Audit procedures conducted in respect of the key audit matter

The main audit procedures we conducted in order to address this key audit matter included the following procedures:

- We received the sale agreement with the customer and gained an understanding of the nature and details of the transaction.
- We evaluated the way in which the Company identified the customer and the performance obligations in accordance with the provisions of IFRS 15.
- We evaluated the estimate of management regarding the collection in the transaction by evaluating the assumptions on which they relied and receiving supportive evidence.
- We received substantiating evidence regarding the fulfillment of the performance obligations.
- We evaluated the adequacy of accounting policy and disclosure which the Company applied.

Provision for doubtful debts

As stated in Note 15E to the consolidated financial statements, in 2023 the Company recognized a provision for credit losses in respect of customer debt in the amount of approximately USD 619 thousand. The provision which was recognized was based on the Company's assessment of the possible debt collection scenarios. The determination of estimated credit losses involves partially subjective assumptions, in light of the circumstances, and of the best information which is available to the Company. In light of the foregoing, we determined, in our professional judgment, that the provision for credit losses in respect of customer debt constitutes a key audit matter.

Audit procedures conducted in respect of the key audit matter

The main audit procedures we conducted in order to address this key audit matter included the following procedures:

- We conducted inquiries with key personnel in the Company.
- We received the opinions of the Company's attorneys regarding the Company's rights by virtue of the agreements which were signed between the parties.
- We evaluated the estimate of underlying assumptions, and the underlying assumptions of the provision for credit losses.
- We evaluated events after the balance sheet date, including the settlement agreement between the parties, which received court approval.

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

Tel Aviv, March 31, 2024

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GenCell Ltd.
Consolidated Statements of Financial Position

	<u>Note</u>	<u>As of December 31</u>	
		<u>2023</u>	<u>2022</u>
		<u>USD in thousands</u>	
Assets			
<u>Current assets</u>			
Cash and cash equivalents	5	4,792	10,574
Restricted deposit		1,200	-
Short term deposits		26,541	48,378
Derivative financial instruments		177	-
Short term trade receivables	6	4,415	5,450
Other receivables	7	1,705	2,395
Inventory	8	3,854	3,135
Total current assets		42,684	69,932
<u>Non-current assets</u>			
Long term trade receivables	6	1,427	-
Restricted deposit	9	651	1,788
Right-of-use assets, net	9	7,238	7,997
Asset in respect of employee benefits		48	-
Long term loan given, net	10	-	683
Other intangible assets, net	11	-	-
Fixed assets, net	12	3,406	3,577
Total non-current assets		12,770	14,045
Total assets		55,454	83,977
Liabilities and equity			
<u>Current liabilities</u>			
Current maturities of lease liabilities		1,340	1,265
Trade payables	13	1,385	2,493
Derivative financial instruments	27	-	1,584
Other payables	14	3,779	4,214
Total current liabilities		6,504	9,556
<u>Non-current liabilities</u>			
Lease liabilities		5,910	6,777
Liabilities in respect of employee benefits		-	5
Liabilities in respect of grants	16	718	706
Total non-current liabilities		6,628	7,488
<u>Equity</u>			
Share capital and premium		325,103	322,949
Other capital reserves		26,047	24,510
Accumulated losses		(308,828)	(280,526)
Total equity	17, 18	42,322	66,933
Total liabilities and equity		55,454	83,977

March 31, 2024

Approval date of the financial
statements

Asher Levy
Chairman of the Board

Rami Reshef
CEO

Yossi Salomon
CFO

The accompanying notes to the consolidated financial statements are an integral part thereof.

GenCell Ltd.
Consolidated Statements of Comprehensive Loss

	Note	For the year ended December 31	
		2023	2022
		USD in thousands	
Sales	19	4,864	7,403
Cost of sales	20	10,034	10,054
Gross loss		5,170	2,651
Research and development expenses, net	21	13,208	7,856
Selling and marketing expenses	22	4,161	5,320
General and administrative expenses	23	7,056	6,111
Operating loss		29,595	21,938
Impairment loss of intangible assets	11	-	11,472
Impairment loss of fixed assets	4,12	1,716	3,389
Operating loss after impairment		31,311	36,799
Finance income	24	3,320	3,515
Finance expenses	24	282	3,228
Finance income, net	24	3,038	287
Other income		28	27
Total pre-tax loss		28,245	36,485
Taxes on income	30	57	191
Total loss for the period		28,302	36,676
Amounts which will be classified in the future under profit or loss, net of tax:			
Profit (loss) in respect of cash flow hedge, net of tax		1,712	(1,658)
Total comprehensive loss for the period:		26,590	38,334
Loss per ordinary share (USD) with a par value of NIS 0.1, basic and diluted	26	0.26	0.34
Weighted average of share capital used to compute basic and diluted loss per share		107,656,690	107,508,908

The accompanying notes to the consolidated financial statements are an integral part thereof.

GenCell Ltd.
Consolidated Statements of Changes in Equity

	Ordinary share capital	Premium	Capital reserve in from cash flow hedging	Capital reserve in respect of share- based payment transactions	Capital reserve in respect of transactions with shareholders	Accumulated losses	Total
	USD in thousands						
<u>For the year ended December 31, 2023</u>							
Balance as of January 1, 2023	313	322,636	(1,586)	24,649	1,447	(280,526)	66,933
Loss for the period	-	-	-	-	-	(28,302)	(28,302)
Other comprehensive income	-	-	1,712	-	-	-	1,712
Total comprehensive loss for the period	-	-	1,712	-	-	(28,302)	(26,590)
Share-based payment	-	-	-	3,378	-	-	3,378
Forfeited options	-	-	-	(1,404)	-	-	(1,404)
Expired options	-	2,105	-	(2,105)	-	-	-
Exercised options	-	49	-	(44)	-	-	5
Total equity as of December 31, 2023	313	324,790	126	24,474	1,447	(308,828)	42,322

The accompanying notes to the consolidated financial statements are an integral part thereof.

GenCell Ltd.
Consolidated Statements of Changes in Equity (Deficit)

	<u>Ordinary share capital</u>	<u>Premium</u>	<u>Capital reserve in respect of cash flow hedge</u>	<u>Capital reserve in respect of share-based payment transactions</u>	<u>Capital reserve in respect of transactions with shareholders</u>	<u>Accumulated losses</u>	<u>Total</u>
	USD in thousands						
<u>For the year ended December 31, 2022</u>							
Balance as of January 1, 2021	276	286,889	72	21,387	1,447	(243,850)	66,221
Loss for the period	-	-	-	-	-	(36,676)	(36,676)
Other comprehensive loss	-	-	(1,658)	-	-	-	(1,658)
Total comprehensive loss for the period	-	-	(1,658)	-	-	(36,676)	(21,018)
Share-based payment	-	-	-	4,507	-	-	4,507
Forfeited options	-	-	-	(152)	-	-	(152)
Expired options	-	60	-	(60)	-	-	-
Exercised options	*	1,168	-	(1,033)	-	-	135
Share issuance (after deducting issuance costs of USD 1,269 thousand)	37	34,519	-	-	-	-	34,556
Total equity as of December 31, 2022	313	322,636	(1,586)	24,649	1,447	(280,526)	66,933

(*) Less than USD 1 thousand.

GenCell Ltd.
Consolidated Statements of Cash Flows

	For the year ended December 31	
	2023	2022
	USD in thousands	
<u>Cash flows for operating activities</u>		
Loss for the period	(28,302)	(36,676)
Adjustments required to present cash flows from operating activities (Annex A)	2,836	14,693
Net cash for operating activities	(25,466)	(21,983)
<u>Cash flows for investing activities</u>		
Decrease (increase) in restricted deposit	(56)	165
Proceeds in balance of given loan	1,393	-
Decrease (increase) in short term deposit	21,459	(5,269)
Investment in intangible asset	-	(5,230)
Investment in fixed assets	(1,893)	(2,062)
Net cash for investing activities	20,903	(12,396)
<u>Cash flows from financing activities</u>		
Short term credit	(86)	-
Proceeds from exercised options	5	135
Consideration from share issuance, after deducting issuance costs	-	34,556
Royalties in respect of received grants	(8)	(8)
Proceeds in respect of grants	154	-
Interest payment in respect of lease	(176)	(218)
Repayment of lease liabilities	(1,189)	(1,186)
Net cash from financing activities	(1,300)	33,279
Net decrease in cash and cash equivalents	(5,863)	(1,100)
Impact of exchange rate changes in respect of cash balances held in foreign currency	81	(207)
Cash and cash equivalents at beginning of period	10,574	11,881
Cash and cash equivalents at end of period	4,792	10,574
<u>Material non-cash activities:</u>		
Non-cash purchase of fixed assets	57	131
Recognition of right-of-use asset against lease liability	319	1,118
Non-cash amounts capitalized to intangible asset	-	1,116

The accompanying notes to the consolidated financial statements are an integral part thereof.

GenCell Ltd.
Consolidated Statements of Cash Flows

Annex A - Adjustments required to present cash flows from operating activities:

	For the year ended	
	December 31	
	2023	2022
	USD in thousands	
Income and expenses not associated with cash flows		
Depreciation and amortization	1,724	1,286
Tax expenses	57	191
Impairment loss of intangible asset	-	11,472
Provision for credit losses ⁽¹⁾	980	-
Impairment loss of fixed assets	1,716	3,389
Expenses (income) due to exchange differences on cash balances	(81)	207
Interest expenses (income) and exchange differences	(102)	(1,372)
Expenses in respect of share-based payment	1,975	3,805
	<u>6,269</u>	<u>18,978</u>
Changes in assets and liabilities items:		
Decrease (increase) in short term and long term trade receivables	(1,011)	(3,103)
Decrease (increase) in other receivables	126	(826)
Increase in the net provision for severance pay	(53)	(11)
Increase in inventory	(719)	(1,621)
Increase (decrease) in trade payables	(1,165)	536
Increase (decrease) in payables	(554)	931
	<u>(3,376)</u>	<u>(4,094)</u>
Taxes paid	<u>(57)</u>	<u>(191)</u>
	<u>2,836</u>	<u>14,693</u>

⁽¹⁾ See Note 27F

The accompanying notes to the consolidated financial statements are an integral part thereof.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 1 - General

A. Description of the Company:

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

As of the approval date of the financial statements, the Company is a producing technology company which is engaged in the planning, development, production, marketing and provision of after sale services for alkaline fuel cell-based backup and power supply systems featuring the production of green energy without creating carbon dioxide emissions. The Company is developing the fuel cells in response to the growing need for energy based on oil substitutes. The Company’s activity is centered in its offices in Petach Tikva. The Company holds a wholly owned subsidiary, GenCell Inc., which is incorporated in the United States, and which commenced activity in July 2023.

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

B. The Company’s business position:

In 2023, comprehensive loss arose for the Company in the amount of approximately USD 26,590 thousand, as well as cash outflows from operating activities in the amount of approximately USD 25,466 thousand as of December 31, 2023. The Company is exposed to several risks, including uncertainty regarding demand, distribution channels and market penetration of the Company’s products, the effects of technological change, competition, and the development of new products. Management expects the Company to continue accumulating losses due to its operations in the future, which will result in cash outflows from operating activities in connection with the development and marketing of its products, while increasing its business development efforts.

Company management believes, as of the approval date of these financial statements, that the Company has sufficient sources to continue operating as a going concern and to service its liabilities in the foreseeable future.

Note 2 - Significant Accounting Policies

A. Statement of Compliance with International Financial Reporting Standards (IFRS):

The Company’s financial statements were prepared in accordance with International Financial Reporting Standards (hereinafter: “IFRS”), and interpretations thereof, which have been published by the International Accounting Standards Board (IASB). The following significant accounting policies were applied consistently in respect of all reporting periods presented in these financial statements, except for changes in the accounting policy which were due to the adoption of standards, amendments to standards and interpretations which entered into effect as of the date of the financial statements, as specified in Note 3.

B. The Company’s consolidated financial statements were prepared in compliance with the Securities Regulations (Annual Financial Statements), 2010 (hereinafter: the “Financial Statements Regulations”).

C. During the Reporting Period, the Company still met the definition of a “small corporation” in accordance with the Securities Regulations. The Company applies the expedient regarding the presentation of comparative figures for two years in the statement of income.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

C. In accordance with Regulation 4 of the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter, in this section: the “Regulations”), the Company did not attach to these financial statements separate financial information in accordance with the provisions of Regulation 9C of the Regulations, due to the subsidiary’s negligible effect on the consolidated financial statements. The criteria which were used by the Company in evaluating the insignificance of the subsidiary’s impact included both the financial scope of the subsidiary’s figures regarding revenues, assets and comprehensive loss, which do not exceed 1% of the corresponding figures for the Group in consolidated terms.

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

E. Foreign currency:

(1) Functional currency and presentation currency:

The consolidated financial statements of each of the Group’s member companies are prepared in the currency of its main economic operating environment (hereinafter: the “Functional Currency”). For the purpose of consolidating the financial statements, the results and financial position of each of the Group’s member companies are presented in USD, which is the Company’s functional currency. The Company’s economic operating environment is international, which mostly affects the sale prices of goods and services in USD. Additionally, the currency in which proceeds from operating activities are held in deposits, is also USD.

(2) Translation of transactions in currencies other than the functional currency:

When preparing the Group’s consolidated financial statements, transactions which were executed in currencies other than the Company’s functional currency (hereinafter: “Foreign Currencies”) are recorded according to the exchange rates which were in effect on the transaction dates. At the end of each reporting period, monetary items denominated in foreign currency are translated according to the exchange rates which were in effect as of that date; Non-monetary items which are measured at fair value and denominated in foreign currency are translated according to the exchange rates as of the date when their fair value was determined; Non-monetary items which are measured at historical cost are translated according to the exchange rates which were in effect on the date of engagement in the transaction in respect of the non-monetary item.

(3) Method of recording exchange differences:

Exchange differences are recognized in the statement of income in the period when they materialized, except for the following cases:

Exchange differences in respect of transactions which were intended to hedge certain foreign currency risks (for details regarding the Group’s accounting policy in respect of hedge transactions, see Note 2X).

F. Cash and cash equivalents:

Cash and cash equivalents include cash that is available for immediate use, call deposits as well as term deposits that are not restricted in use, and whose original maturity date does not exceed three months.

Deposits whose use is restricted are classified within the framework of non-current assets under non-current assets, in the item for restricted deposits.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

G. Inventory:

Inventory includes assets which are held for the purpose of sale in the ordinary course of business, in production process for the purpose of sale, or materials which will be consumed during the production process, or during the provision of the services.

Inventory is presented according to the lower of either cost or net realizable value. The cost of inventory includes all purchasing costs and costs which were incurred in the process of bringing the inventory to its current location and condition.

Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs to completion, including costs required to make the sale.

The cost is determined as follows:

Raw materials, components and packaging	-	Based on the standard pricing, on a moving average basis.
Finished goods and goods in process	-	Based on the cost of the raw materials and production costs, on an average basis.

H. Fixed assets:

(1) General:

Fixed assets include any tangible item which is held for the purpose of use in production or in the provision of goods or services, or rental to others, which is expected to be used during more than one period. The group presents its fixed asset items according to the cost model.

According to the cost model, fixed asset items are presented in the statement of financial position at cost less accumulated depreciation, less which were received from BIRD Foundation (see section Q below), and less accumulated impairment losses, if any. Cost includes the asset's acquisition cost and directly attributable costs required to bring the asset to the location and situation which are required for the purpose of their operation in the manner intended by management.

(2) Depreciation of fixed assets:

Depreciation of fixed assets is performed using the straight line method, over the expected useful lifetimes of the item's components, beginning from the date when the asset was ready for its intended use, while taking into account the expected residual value at the end of its useful lifetime.

The estimated useful lifetimes and depreciation rates which were used in calculating depreciation were as follows:

	<u>Depreciation rate - %</u>
Machinery	7-10
Laboratory equipment	15
Computers and peripheral equipment	33.33
Furniture	7-15
Leasehold improvements	The lease period or the useful lifetime, whichever is lower

The asset's residual values, depreciation method and useful lifetime are evaluated by Company management at the end of each fiscal year. Changes are prospectively treated as changes in estimates. Profit and loss created due to the sale or removal from use of a fixed assets item is determined according to the difference between the proceeds from its sale and its carrying value on the date of sale or removal from use, and is carried to the statement of income

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

I. Impairment of tangible and intangible assets:

At the end of each reporting period, the Group evaluates whether any indicators of impairment exist in respect of its tangible and intangible assets, except for inventory.

In case indicators of this kind exist, the recoverable amount of the asset is estimated in order to determine the amount of impairment loss that was created, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Joint assets are also allocated to the individual revenue-generating units, if they are reasonably identifiable and consistent with that allocation.

Intangible assets with indefinite useful lifetimes, and intangible assets which are not yet ready for use, are tested for impairment once per year, or more frequently in case there are indicators of the asset's impairment.

The recoverable value is the higher of either the asset's fair value, net of selling costs, or its value in use. When estimating value in use, the future estimated cash flows are discounted to their present values using the pre-tax discount rate which reflects current market estimates regarding the time value of money, and the asset's specific risks, for which the estimated future cash flows were not adjusted.

When the recoverable amount of an asset (or of a cash-generating unit) is estimated as less than its carrying value, the carrying value of the asset (or of the cash-generating unit) is amortized to its recoverable amount. Impairment loss is immediately recognized as an expense in the statement of income. The Company tests the entire company for impairment as a single cash-generating unit, the recoverable amount is determined according to fair value.

J. Revenue recognition:

Revenue is measured and recognized according to the fair value of the consideration which is expected to be received in accordance with the contract terms, less amounts which have been collected on behalf of third parties (e.g., taxes). Revenue is recognized in the consolidated statements of income to the extent that the economic benefits are expected to flow to the Group, and the revenue and costs, if relevant, are reliably measurable.

Most of the Company's revenues arise from the sale and marketing of generators which serve as backup and electricity supply systems based on the use of alkaline fuel cells (hereinafter: the "Asset"), and the Company also provides installation, warranty and IoT services, as well as support and maintenance services for the fuel cells, in accordance with the customer's requirements, in exchange for payment.

Control of the asset is transferred to the customer at the point in time when the customer gains control of the guaranteed asset, and the Company fulfills a performance obligation. To determine this point in time, the Company takes into account indicators of transfer of control, which mostly include the following indicators:

- The Group is entitled to payment, in the present, in respect of the asset;
- The customer has legal ownership of the asset;
- The Group has transferred the physical possession of the asset;
- The customer has the significant risks and benefits arising from the ownership of the asset.
- The date of transfer of the risks and returns is determined according to the specific commercial agreements and trade conditions vis-à-vis each customer;
- The customer has confirmed the receipt of the asset;

The Company's products which are sold through agreements with exclusive distributors are not exchangeable, not returnable, not reimbursable, and not subject to any price protection rights. The Company therefore considers all of the distributors as end consumers.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

J. Revenue recognition: (Cont.)

When implementing a contract, the Company also assesses and determines whether a contract should be split into more than one performance obligation. The Company has contracts in which the installation of systems generally includes non-recurring performance obligations for the purpose of tailored adaptation to the specific needs of each customer, and for the integrated system or solution.

In sale agreements which include several components, such as systems, installation, and support agreements, the revenue is split into distinct performance obligation, and recognized separately in respect of each performance obligation. A component constitutes a distinct performance obligation if and only if it has value separately for the customer, and the guarantee is separately identifiable with the contract with that customer. The revenue from the various performance obligations is recognized at a certain point in time or over time when the performance obligation is fulfilled.

When allocating the total consideration in a contract, the Company estimates the separate sale price of each identified performance obligation. In cases where the separate sale price is not directly observable, the Company estimates the separate sale price of each performance obligation according to the expected cost approach, plus a margin. In cases where the Company is unable to estimate the expected cost, the Company applies the residual method only when the Company has not yet determined a price for that good or service, and they were not sold separately in the past, or when that good or service is sold to different customers in a wide range of amounts.

The installation process constitutes an insignificant part of the profit generation process, its costs are immaterial, and it is performed shortly after shipment to the customer.

Responsibility:

For the purpose of evaluating whether a warranty provides a separate service to the customer, the Group evaluates, inter alia, the following characteristics: whether the customer has the possibility to buy a warranty separately; whether the warranty is required by law; the duration of the coverage period under the warranty; and the actions which the Group has undertaken to perform. When the warranty services are given in order to guarantee the quality of work and the fulfillment of the specification which was agreed upon between the parties only, they do not constitute an additional service which is given to the customer. Therefore, in such cases, the Group does not identify the warranty as a separate performance obligation, but rather treats it in accordance with the provisions of IAS 37, and recognizes a warranty provision based on the estimated cost of the services in question.

Recognition of revenue from provision of services;

The Group provides support and maintenance services of fuel cells in exchange for payment. These services constitute a performance obligation which is fulfilled over time, since the customer simultaneously receives and consumes the benefits which are provided through the Group's performance, insofar as the Group is performing, and the Group also recognizes those services as a distinct performance obligation, and recognizes revenue throughout the service period.

In transactions which involve a third party for the provision of services or products to the customer, the Company evaluates whether it functions vis-à-vis the customer as a primary supplier, or as an agent. In transactions where the Company's essential guarantee is to verify that those goods or services are provided by that third party, the Company's revenues from the transactions are presented on a net basis. Revenues in respect of transactions in which the Group is the primary supplier are presented as revenues on a gross basis.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

L. Taxes on income:

In light of tax losses which have accumulated for the Company, and in light of the expectation that taxable income will not exist in the foreseeable future, the Company does not carry deferred taxes receivable in respect of carryforward tax losses and in respect of temporary differences in the value of assets and liabilities, between the financial report and the report for tax purposes.

M. Research and development costs:

Costs in respect of research activities are carried to the statement of income on the date when they materialize, after deducting grants and participation amounts.

Costs which materialize in respect of development projects are recognized as intangible assets if and only if all of the following conditions are met:

- It is technically feasible to complete the intangible asset such that it will be available for use or sale;
- The Company's intention to complete the intangible asset, and to use or sell it;
- The Company's ability to use or sell the intangible asset;
- The manner in which the asset will generate future economic benefits is determinable;
- The Company has at its disposal the technical, financial and other resources needed to complete development, and to use or sell the intangible asset; And
- The development costs attributable to the intangible asset are reliably measurable.

When an internally generated intangible asset cannot be recognized, the development costs are carried to the statement of income on the date of their materialization.

The foregoing conditions were met beginning on January 1, 2021, and development costs were therefore capitalized.

At the end of 2022, the Company amortized the intangible asset which was created due to the capitalization of the development costs. For additional details, see Note 11.

N. Share-based payments:

Equity-settled share-based payments of the Group to employees and to others who provide similar services are measured at fair value on the grant date. The Company measures the fair value of the granted equity instruments on the grant date using the Black-Scholes-Merton model and/or based on the fair value of the Company's shares, as applicable (for details regarding the method used to measure the fair value of share-based payments, see Note 18). When the granted equity instruments do not vest until those employees complete a definite period of service, and fulfill performance conditions, or upon the fulfillment of defined market conditions, the Company recognizes the share-based payment arrangements in the financial statements throughout the vesting period against an increase in equity, under the item for "capital reserve in respect of share-based payment transactions". At the end of each reporting period, the Company estimates the number of equity instruments which are expected to vest. Changes in estimates relative to previous periods are recognized in the statement of income throughout the remaining vesting period.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

O. Financial assets:

(1) General:

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

Investments in financial assets are initially recognized at fair value plus transaction costs, except as regards financial assets which are classified under fair value through profit and loss, which are initially recognized at fair value. Transaction costs in respect of financial assets at fair value through profit or loss are charged immediately as an expense to profit or loss.

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

(2) Classification of financial assets:

Debt instruments are measured at amortized cost upon the fulfillment of the following two conditions:

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

Accordingly, the Company presents balances of trade receivables, other receivables, cash and banks deposits, at amortized cost.

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

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

The amortized cost of a financial asset is the amount at which the financial asset is measured upon initial recognition, after deducting principal payments, plus or less accumulated amortization, using the effective interest method, of any difference between the initial amount and the repayment amount, adjusted for any loss provision.

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

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

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

O. Financial assets (Cont.):

(4) Impairment of financial assets:

in respect of trade receivables, the Group chose to adopt the restrictive approach regarding to the measurement of the provision for impairment, according to the probability of insolvency throughout the instrument's lifetime. The expected credit loss in respect of these financial assets is estimated using a matrix of provisions which is based on the Company's past experience regarding credit losses, and adjusted for factors which are specific to the borrower, general economic conditions, and an assessment both of the current trend of conditions, and of the projected trend of conditions, as of the Reporting Date, including the time value of money, as required.

For all other financial instruments, the Group recognizes a provision for impairment according to the expected credit losses throughout the instrument's entire lifetime, when there has been a significant increase in the credit risk since their date of initial recognition. If, however, the financial instrument's credit risk has not significantly increased since the date of its initial recognition, the Group measures the provision for impairment according to the probability of insolvency in the coming 12 months. The evaluation regarding whether to recognize a provision for impairment according to the expected credit losses throughout the instrument's entire lifetime is based on the risk of default after the initial recognition date, and not only when objective evidence of impairment exists on the Reporting Date, or when a default has actually occurred.

Significant increase in credit risk

When evaluating whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default in the financial instrument as of the Reporting Date to the risk of default in the financial instrument on the date of initial recognition, and takes into account reasonable and substantiable quantitative and qualitative information, including past experience and forward looking information. The forward looking information which was taken into account includes forecasts of the borrowers' industrial sectors, which are received from the reports of economic experts, analysts, government entities and other similar organizations.

The Company takes into account the following information when evaluating whether the credit risk has increased significantly since the initial recognition date:

- Actual significant changes, or expected significant changes, in the external credit rating of the financial instrument;
- Significant changes in external market indices of credit risk in respect of a certain financial instrument, such as a significant increase in the credit margin, prices of credit default swap contracts in respect of the borrower, the amount of time or extent to which the fair value of a financial asset will be less than its amortized cost;
- Actual or projected changes with a negative impact on the business, financial or economic conditions which are expected to cause a significant change in the borrower's ability to fulfill its debt obligations;
- Actual or projected changes in the borrower's operating results;
- Actual or projected changes with negative effects in the regulatory, economic or technological environment of the borrower, which result in a significant change in the borrower's ability to fulfill its debt obligations.

The Company assumes, regardless of the results of the foregoing assessment, that the credit risk of a financial instrument has increased significantly when the contractual payments in respect thereof are more than 30 days in arrears, unless the Company has reasonable and substantiable information proving otherwise.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

O. Financial assets (Cont.):

(5) Changes to the contractual term of financial assets:

The Company evaluates whether changes to the contractual terms of a financial asset constitute a “significant change in terms” in accordance with generally accepted accounting principles, through a quantitative test based on the expected cash flows from the asset, according to its new terms, and through a qualitative test which is based, inter alia, on factors such as the asset’s linkage terms, method of settlement and other factors.

When the change in terms has been identified as immaterial after the foregoing evaluation, the Company remeasures the asset according to the new cash flows, discounted by the original effective interest rate. The change in the asset’s value is carried to the statement of income on the date of the change in terms.

When the change in terms is identified as material after the foregoing evaluation, the change in terms is identified as a significant change in terms, and therefore, the change in terms is treated as the acquisition of a new financial asset, and the repayment of the original balance of the asset as of the date of the change.

Accordingly, at that time, the Company derecognizes the asset in accordance with its previous conditions, and recognizes a new financial asset according to the fair value as of that date. The difference between the book value of the financial asset’s balance prior to the change, and the fair value of the asset according to the new terms, is recognized as profit or loss in the Company’s statement of income.

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

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

Liabilities and equity instruments which were issued by the Group are classified as financial liabilities or as equity instruments in accordance with the nature of the contractual arrangements, and the definition of a financial liability and equity instrument.

(2) Equity instruments:

An equity instrument is any contract which indicates a residual interest in the Group’s assets, after subtracting all of its liabilities. Equity instruments which were issued by the Group are recorded according to their issuance consideration, after deducting expenses which are directly attributable to the issuance of those instruments.

(3) Financial liabilities:

Financial liabilities are presented and measured at amortized cost.

Accordingly, they are initially recognized at fair value less transaction costs. After the date of initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method for calculating the amortized cost of a financial liability, and for allocating the interest expenses throughout the relevant credit period. The effective interest rate is the rate which accurately discounts the forecasted future cash flows over the expected lifetime of a financial liability to its carrying value, or, when appropriate, over a shorter period.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

R. Leases:

The Group assesses whether a contract is a lease (or includes a lease) on the date when it enters into the contract. The Group recognizes a right-of-use asset on the one hand, and a lease liability on the other hand, in respect of all of the lease contracts in which it is the lessee, the lease period is the non-cancelable period during which the lessee has the right to use the leased asset, together with:

Periods which are covered by an option to extend the lease, if it is reasonably certain that the lessee will exercise that option, and

Periods which are covered by an option to cancel the lease, if it is reasonably certain that the lessee will not exercise that option.

When determining the lease period, the Group takes into account extension options when it is reasonably certain that it will exercise them as of the lease commencement date. The probability of exercising the extension options is evaluated in consideration of, inter alia, the lease payments during the extension periods relative to market prices, significant leasehold improvements which were performed by the Group which are expected to generate significant economic benefits for the Group during the extension period, costs attributed to the conclusion of the lease (negotiations, vacation of the current asset, and finding an alternative asset in its place), the asset's importance to the Group's activities, the location of the leased asset, and the availability of suitable alternatives.

The lease liability is initially measured according to the present value of the lease payments which are not paid on the commencement date. For the purpose of the calculation, the Group uses its incremental borrowing rate of interest.

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

Any fixed payments (including essentially fixed payments), less any lease incentives;
CPI-linked variable lease payments which are initially measured according to the index which is available on the commencement date.

The Group applies the practical expedient which allows the lessee to choose not to separate non-lease components and lease components, and instead to treat each lease component, and any related non-lease components, as a lease component together.

The lease liability is presented in a separate item under current and non-current liabilities in the statement of financial position. The lease liability is subsequently measured by increasing the book value in order to reflect the interest on the lease liability using the effective interest method, and by decreasing the book value in order to reflect the lease payments which have been made.

The Group remeasures the lease liability (against adjustment for the right-of-use asset) in case of changes to the lease period, or in case of changes to the value of an option to purchase the underlying asset. In that case, the lease liability is measured by discounting the updated lease payments, using an updated discount rate.

The cost of the right-of-use asset is comprised of the initial measurement value of the lease liability, and any lease payments which were made on or before the lease commencement date. Subsequently, the right-of-use asset is measured at cost less accumulated amortization and impairment losses.

The right-of use asset is presented under a separate item in the statement of financial position. The right-of-use asset is measured at cost and amortized in a straight line over the shorter period of either the lease period or the useful lifetime of the underlying asset. Depreciation begins on the lease commencement date.

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

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

S. Grants:

Grants which were received, which the entity is required to repay plus interest payments, upon the fulfillment of defined conditions which do not constitute forgivable loans, are recognized on the date of initial recognition as a financial liability, at fair value, based on the present value of the forecasted cash flows to repay the grant, discounted using a discount rate which reflects the risk level of the research and development project. The difference between the consideration of the grant and the amount of the liability is recognized as a decrease of the research and development expenses for which they were received, or as a decrease of the balance of the acquired fixed asset item, as applicable.

In subsequent reporting periods, the financial liability is measured in the amount of the present value of the cash flows which are expected to be paid in the future, periodically discounted using the original interest rate of the liability in each period, and changes in the value of time are carried to finance expenses in the statement of income. Changes in the liability which reflect a change in the Company's revenue forecast are carried to finance expenses in the statement of income.

For additional information, see Note 4A.

T. Provisions:

Provisions are recognized when the Group has a legal obligation or a constructive obligation due to an event which occurred in the past, when reliably estimable economic resources are expected to be required in order to settle the liability.

The amount which is recognized as a provision reflects the best estimate of management regarding the amount which will be required to settle the obligation in the present, as of the date of the statement of financial position, while taking into account the risks and uncertainties associated with the obligation. When the provision is measured using forecasted cash flows to settle the obligation, the book value of the provision is the present value of the forecasted cash flows. Changes in respect of the value of time are carried to the statement of income.

When all or part of the amount required to settle the obligation in the present is expected to be repaid by a third party, the Company recognizes an asset, in respect of the repayment, up to the amount of the provision which was recognized, only when the repayment is virtually certain to be received, and when it can be reliably estimated.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

U. Employee benefits:

(1) Post-employment benefits:

Israel's labor laws and the Severance Pay Law, 1963 (hereinafter: the "Law") obligate the Company to pay severance pay to employees upon their dismissal or retirement (including employees who leave the workplace under specific other circumstances). The calculation of the Company's liability for post-employment benefits is calculated according to the employment agreement which is currently in effect, and based on the employee's salary, which, in the opinion of management, creates the right to receive severance pay.

The group's post-employment benefits include pension, severance pay, and redemption of sick days. The Group's post-employment benefits are partially defined contribution plans, and partially defined benefit plans. expenses in respect of the Group's liability to contribute funds within the framework of a defined contribution plan are carried to the statement of income, or are capitalized to the cost of the asset "assets in respect of employee benefits" on the date of provision of the employment services for which the Group is obligated to make the contribution. The difference between the contribution amount which is due for payment, and the total amount of contributions which have been paid, is represented as a liability under liabilities in respect of employee benefits. When the total sum of paid contributions exceeds the contribution which is required in respect of the service which has been provided until the date of the statement of financial position, and that surplus results in a reduction of future contributions, or in monetary repayment, the Group recognizes an asset.

Expenses in respect of a defined benefit plan are carried to the statement of income, or are capitalized to the cost of the asset "assets in respect of employee benefits" according to the projected unit credit method, Using actuarial estimates which are made at the end of each reporting period. The present value of the Group's liability in respect of defined benefit plans as of December 31, 2022 was determined by discounting the forecasted future cash flows in respect of the plan, using the appropriate discount rate for the market yields of high quality corporate debentures denominated in the currency in which the benefits will be paid under the plan, and with maturity periods which are approximately identical to the expected settlement dates of the plan. In accordance with the Group's accounting policy, the net interest cost is included under finance expenses / general and administrative expenses / cost of sales in the statement of income.

Actuarial gains and losses are carried to other comprehensive income on the date of their materialization, or are capitalized to the cost of the asset "assets in respect of employee benefits". Past service costs in respect of reductions or settlements are recognized in the statement of income on the date of the change to the plan, or on the date of recognition of costs in respect of related structural changes in accordance with IAS 37, or severance benefits, whichever is earlier. Actuarial gains and losses which have been applied to other comprehensive income are not reclassified to the statement of income at a later date.

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

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

V. Loss per share:

The Company calculates basic loss per share by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the Reporting Period.

W. Classification of interest which was paid/received in the statement of cash flows:

The Group classifies cash flows in respect of interest received as cash flows from investing activities, and cash flows in respect of interest paid as cash flows used in financing activities. Cash flows in respect of taxes on income are generally classified as cash flows used in operating activities, unless these are readily identifiable as cash flows used in investing or financing activities.

X. Cash flow hedging:

The Company applies cash flow hedge accounting in respect of future transaction to acquire or sell foreign currency which are intended to secure export proceeds and import payments which are linked to foreign currency, and to secure salary payments.

The effective part of changes in the value of financial instruments designated for cash flow hedging is recognized in other comprehensive income under the item for "other comprehensive income", and the non-effective part is immediately recognized in the statement of income.

amounts which were previously recognized under other comprehensive income, and which accumulated under equity, are reclassified to profit or loss in periods when the hedged item affects profit or loss, in the same item as the hedged item. However, when a expected transaction which was hedged result in the recognition of a non-financial asset or of a non-financial liability, the profit and loss which were previously recognized under other comprehensive income, and accumulated under equity, are removed from equity and included in the initial measurement of the cost of the non-financial asset or liability. This transfer does not affect other comprehensive income.

The Company discontinued the application of hedge accounting only when the hedge relationship (or any part thereof) does not fulfill the criteria of hedge effectiveness (after re-balancing, if relevant), including in cases where the hedging instrument expires, or is sold, canceled or realized.

The hedge is treated prospectively. Any profit or loss which was recognized under other comprehensive income and accumulated under equity as of that date remains under equity, and is reclassified to profit or loss when the expected transaction is eventually recognized in the statement of income. When the expected transaction is no longer expected to be realized, the profit or loss which accumulated under equity is recognized immediately in the statement of income.

Note 3 - New Financial Reporting Standards

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

Amendment to IAS 1, Presentation of Financial Statements (regarding disclosure of the accounting policy): The amendment replaces the term "significant accounting policy" with "significant information regarding accounting policy". Information regarding an accounting policy is significant if, when taken into account together with other information which is included in an entity's financial statements, it can be expected to reasonably affect the decisions made by the main users of financial statements for general purposes, based on those financial statements.

The amendment also clarifies that information regarding an accounting policy pertaining to transactions, events or other insignificant conditions is insignificant, and does not require disclosure. Information regarding an accounting policy may be significant due to the nature of the transactions, events or other associated conditions, even if the amounts are insignificant. However, not all information regarding the accounting policy which pertains to significant transactions, events or other conditions is in itself significant. The Company applied the amendment to IAS 1 in the reports, and accordingly, it made adjustments to the accounting policy which is presented under Note 2 above.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 4 - Critical Accounting Judgements and Main Sources for Uncertainty Estimates

As part of the adoption of the accounting policy, as described in Note 2 above, Company management is required, in certain cases, to exercise extensive accounting judgement regarding estimates and assumptions in connection with the book values of assets and liabilities, which are not necessarily available from other sources. The related estimates and assumptions are based on past experience and other factors which are considered relevant. Actual results may differ from these estimates.

The underlying estimates and the assumptions are evaluated by management on an ongoing basis. Changes to accounting estimates are recognized only in the period when a change was made to the estimate, in case the change only affects that period, or are recognized in the relevant period and in future periods, in case the change could affect both the current period and future periods.

A. Liabilities in respect of grants from BIRD Foundation:

In accordance with the accounting treatment described in Note 2S, Company management is required to evaluate whether it is reasonably certain that the grant which was received, will be repaid.

The present value of obligations to pay royalties to BIRD Foundation (see Note 16) depends on the forecasts and assumptions of Company management regarding the Company's future revenues and the discount rate.

For the purpose of estimating the present value of future cash flows which are expected to be required to cover the liability to BIRD Foundation, the Company believes that the grants of BIRD Foundation will be repaid by 2027, based on the Company's sales forecast for the coming years.

The forecasts of management regarding aggregate sales until the repayment of the foregoing grants has concluded are based on the Company's plans for the sale of the Company's products in the coming years.

The discount rate in respect of grants received from BIRD Foundation is 20%.

B. Capitalization of research and development expenses:

In accordance with the accounting treatment described in Note 2M, Company management is required to evaluate the fulfillment of the conditions for recognition of costs in respect of development projects as intangible assets. According to the Company's estimate, as of December 31, 2023, the conditions for recognition of costs in respect of development projects as intangible assets have not been fulfilled (see Note 11).

C. Determination of expected credit losses

In accordance with the accounting treatment described in Note 2R(4), the Company applies the guidelines which were determined in IFRS 9 in order to evaluate the expected credit losses of financial assets measured at amortized cost. This assessment requires significant judgment and the use of forecasts to measure the expected credit losses. When exercising judgment, the Company takes into account, inter alia, the other factors, an aging analysis of the balance of the financial asset, the history of lost debts, the debt repayment behavior, financial strength, and a short-term analysis of the debtor's business. See also Note 7 and Note 27F regarding exposure to credit risks in respect of financial assets. The Group holds collateral in respect of the customer debt, and has given disclosure which includes a description of collateral which is held as security to strengthen credit, and their financial impact. See Note 15E.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 4 - Critical Accounting Judgements and Main Sources for Uncertainty Estimates (Cont.)

D. Impairment of assets

The Company, as a whole, constitutes one cash generating unit, as defined in International Accounting Standard IAS 36, Impairment of Assets. At the end of 2023, in light of the significant decrease in the Company's market value, as reflected in its share price on the Tel Aviv Stock Exchange, the Company tested for impairment its assets which fall under the scope of IAS 36. The recoverable amount of the cash generating unit was determined at fair value net of disposal costs, based on the Company's market value on the stock exchange, which, as of the end of 2023, amounted to approximately USD 39 million, and net of the fair value of the net assets which do not fall under the scope of the standard. According to the Company's assessment, in its specific circumstances, the value in use is not expected to be greater than the net fair value of the cash generating unit, in light of the inherent uncertainty regarding the Company's future cash flows, and the Board of Directors' and management's current difficulty in substantiating reliable cash flow forecasts. The fair value measurement stated above is a measurement classified at level 3.

Based on the Company's market value as of December 31, 2023, the recoverable amount of the assets which fall under the scope of IAS 36 as a cash-generating unit is less than their book value. Therefore, the Company recorded impairment loss in respect of assets up to the amount of their fair value, net of the disposal costs in respect of those assets as single assets, as specified in Note 12 below.

The impairment loss in the amount of approximately USD 1,716 million was attributed to the item for fixed assets, as specified below, and included under the item for impairment loss of fixed assets in the statement of income.

Composition:

	<u>As of December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>USD in thousands</u>	
Fixed assets	1,716	3,389
Intangible assets	-	11,472
	<u>1,716</u>	<u>14,861</u>

The fair value net disposal costs of fixed assets is determined through the use of an external valuer. The fair value measurement stated above is a measurement classified at level 3. The valuation model which was used was the market value model, in respect of the local or international market, machinery and items of equipment, separately from infrastructure and leasehold improvements, under impairment testing, after neutralizing building attachments and leasehold improvements. The assumptions which the valuer relied upon in conducting the valuation included the existence of a market for the machines and equipment in the local and/or international market for used equipment, existence of demand for equipment in accordance with the current situation on the measurement date.

E. Revenue recognition:

As specified in Note 2L to the consolidated financial statements, the recognition of revenue from the sale of systems or services includes judgment on the part of Company management regarding the identification of the performance obligations, the attribution of the consideration between performance obligations, the expected collection from the transaction, and the determination of the revenue recognition date.

Revenue is measured and recognized according to the fair value of the consideration which is expected to be received in accordance with the contract terms, less amounts which have been collected for third parties. Revenue is recognized in the consolidated statements of income to the extent that the economic benefits are expected to flow to the Group, and the revenue and costs, if relevant, are reliably measurable. As stated in Note 19 to the consolidated financial statements, in 2023 the Company recognized revenue from the sale of systems and related services in the amount of approximately USD 4.8 million. These revenues mostly arose from the engagement with the customer GenCell Mexico, as specified extensively in Note 15D.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 5 - Cash and Cash Equivalents

Composition:

	As of December 31	
	2023	2022
	USD in thousands	
In USD	2,889	10,064
In NIS	1,827	397
In EUR	75	110
In GBP	1	3
	<u>4,792</u>	<u>10,574</u>

Note 6 - Trade Receivables

Composition of short term trade receivables:

	As of December 31	
	2023	2022
	USD in thousands	
Open accounts	4,749	5,450
Provision for credit losses	(334)	-
	<u>4,415</u>	<u>5,450</u>

Composition of long term trade receivables:

	As of December 31	
	2023	2022
	USD in thousands	
Open accounts	1,712	5,450
Provision for credit losses	(285)	-
	<u>1,427</u>	<u>5,450</u>

Note 7 - Other Receivables

Composition:

	As of December 31	
	2023	2022
	USD in thousands	
Current maturities in respect of loan which was given ⁽¹⁾	1,452	563
Advance payments to suppliers	850	1,147
Institutions	565	298
Deposits	142	157
Prepaid expenses	119	144
Others	29	86
After deducting the provision for expected credit losses ⁽¹⁾	<u>(1,452)</u>	<u>-</u>
	<u>1,705</u>	<u>2,395</u>

(1) For additional information, see Note 15D, Material Engagements.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 8 - Inventory

A. Composition:

	As of December 31	
	2023	2022
	USD in thousands	
Raw materials	1,925	2,572
Goods in process	56	492
Finished goods	1,873	71
	<u>3,854</u>	<u>3,135</u>

B. Additional information:

	As of December 31	
	2023	2022
	USD in thousands	
The amount of inventories which was recognized as an expense during the period	3,279	3,923
The amount of impairment value reduction which was recognized as an expense during the period	41	335
	<u>3,320</u>	<u>4,258</u>

Note 9 - Leases

A. In November 2014, the Company signed a fourth amendment to the sublease agreement in respect of its offices and plant in Petach Tikva, beginning from May 2011, which was originally scheduled to conclude on April 30, 2021. As collateral for the Company's fulfillment of the agreement, it provided a bank guarantee to the lessor in the amount of approximately USD 234 thousand.

In May 2020, the Company extended the lease agreement under which the Company leases the offices (and around 30 parking spaces), laboratories and production areas with a total area of approximately 3,000 square meters, for the period concluding on April 30, 2023. In accordance with the foregoing lease agreement, the Company pays, in respect of the leased property, monthly rent and management fees in the amount of approximately USD 75 thousand (approximately NIS 256 thousand), plus VAT and linkage differentials. On March 4, 2021, the Company engaged in an amendment to the lease agreement, according to which the area of the leased property will be increased by a total area of approximately 1,450 square meters, of which approximately 658 square meters are for office areas, and approximately 750 square meters are for production areas (the "Amendment to the Lease Agreement" and the "Addition to the Leased Property", as applicable), and the Company also extended the agreement period until May 8, 2024. The Company has two extension options, each for a period of three years. As of the Reporting Date, the Company considers it reasonably likely that it will exercise the extension options in respect of the building. In respect of the addition to the leased property, and after receiving various grace periods as specified in the amendment to the lease agreement, the Company will pay monthly rent and management fees in the amount of approximately NIS 92,270 (approximately USD 29,668), plus VAT and linkage differentials. Under the agreement, the Company provided a bank guarantee against a pledged deposit in the amount of approximately NIS 957 thousand (approximately USD 272 thousand), to secure the lease agreement.

On February 1, 2022, the Company engaged in an additional amendment to the lease agreement, under which the leased area will be increased by a total area of approximately 524 m², at a cost of approximately NIS 65 (approximately USD 21) per square meter, which it will use to increase the area of the offices and to increase its research and development activity during the period ending May 8, 2024. The Company will pay, in respect of the leased property, monthly rent and management fees in the amount of approximately USD 10,640 (approximately NIS 34,060), plus VAT and linkage differentials. The Company has two extension options, each for a period of three years. As of the Reporting Date, the Company considers it highly likely that it will exercise the extension options in respect of the building. Under the agreement, the Company provided a bank guarantee against a pledged deposit in the amount of approximately NIS 210 thousand (approximately USD 60 thousand) to secure the lease agreement.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 9 - Leases (Cont.)

In May 2022, the price of rent and management fees increased by 5%. Accordingly, the Company created an asset and liability in respect of the warehouse in the total amount of USD 48 thousand.

On October 7, 2022, the lease agreement concluded, and the Company decided not to extend the agreement. Additionally, a bank guarantee in respect of a warehouse in the amount of USD 15 thousand was returned to the Company.

The Company has several vehicle lease agreements for its employees. The lease period is 3 years, with an option to extend the period, subject to certain conditions. As collateral for the Company's fulfillment of the agreement, it provided the lessor with a deposit in the amount of approximately USD 14 thousand.

As of December 31, 2023, the Company has provided bank guarantees totaling approximately 566 thousand to guarantee the lease sums mentioned above.

B. Right-of-use assets:

2023:

	Rental of buildings	Vehicles	Total
	USD in thousands		
Cost:			
Balance as of January 1, 2023	11,572	728	12,300
Revaluation to the CPI	241	-	241
Additions	-	319	319
Balance as of December 31, 2023	11,813	1,047	12,860
Accumulated depreciation:			
Balance as of January 1, 2023	3,739	564	4,303
Additions	1,108	211	1,319
Balance as of December 31, 2023	4,847	775	5,622
Depreciated cost as of December 31, 2023	6,966	272	7,238

2022:

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

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 9 - Leases (Cont.)

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

	For the year ended December 31	
	2023	2022
	USD in thousands	
Amortization expenses in respect of right-of-use assets	1,319	1,212
Interest income (expenses) in respect of lease liabilities	176	389

Note 10 - Long Term Loan Which Was Given, Net

Composition:

	As of December 31	
	2023	2022
	USD in thousands	
Long term loan which was given ⁽¹⁾	409	2,183
After deducting the provision for expected credit losses	(409)	(1,500)
	-	683

(1) For additional information, see Note 15D, Material Engagements.

Note 11 - Intangible Assets

A. Composition of intangible assets:

	Development of the A5 (FOX) product	Developme nt of the G10 product	Developm ent of the BOX product	Total
	USD in thousands			
Cost:				
Balance as of January 1, 2022	2,492	925	1,709	5,126
Capitalization of expenses in respect of development activities	2,837	1,624	1,885	6,346
Total intangible assets	5,329	2,549	3,594	11,472
Impairment losses	(5,329)	(2,549)	(3,594)	(11,472)
Balance as of December 31, 2022	-	-	-	-
Capitalization of expenses in respect of development activities	-	-	-	-
Balance as of December 31, 2023	-	-	-	-

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 11 - Intangible Assets (Cont.)

- Beginning on January 1 2021, the Company concluded that the conditions for capitalization of the development expenses in accordance with the provisions in accordance with International Accounting Standard 38 (IAS 38) had materialized. Accordingly, the Company capitalized, during the years 2021-2022, development expenses in respect of three main projects in the amount of approximately USD 11,472 thousand. At the end of 2022, in light of the significant decrease in the share price, which reflected a lower value for the Company than the value of its equity in the financial statements as of December 31, 2022, the Company decided, In accordance with the provisions of International Accounting Standard 36 (IAS 36), to entirely amortize the intangible assets which were created due to the capitalization of these costs. The impairment loss was recognized in the statement of income under the item for “impairment loss of intangible assets”. At the end of 2023, the Company’s share value was lower than the value of its equity in the books as of December 31, 2023. The Company evaluated the conditions for capitalization of R&D costs, and concluded that the criterion of the method of production of future economic benefits from the asset is not determinable. **In light of the above, in 2023, the Company did not capitalize development expenses.**

Note 12 - Fixed Assets

A. Composition of fixed assets:

2023:

	Machinery	Laboratory equipment	Computers and peripheral equipment	Leasehold improvements	Furniture	Total
	USD in thousands					
Cost:						
Balance as of January 1, 2023	5,279	2,451	883	1,540	423	10,576
Additions during the year	268	716	505	381	80	1,950
Balance as of December 31, 2023	<u>5,547</u>	<u>3,167</u>	<u>1,388</u>	<u>1,921</u>	<u>503</u>	<u>12,526</u>
Accumulated depreciation:						
Balance as of January 1, 2023	1,157	1,603	392	396	62	3,610
Additions during the year	308	210	246	152	36	952
Balance as of December 31, 2023	<u>1,465</u>	<u>1,813</u>	<u>638</u>	<u>548</u>	<u>98</u>	<u>4,562</u>
Depreciated cost as of December 31, 2023	<u>4,082</u>	<u>1,354</u>	<u>750</u>	<u>1,373</u>	<u>405</u>	<u>7,964</u>
Impairment ⁽¹⁾	<u>(1,719)</u>	<u>(903)</u>	<u>(658)</u>	<u>(921)</u>	<u>(357)</u>	<u>(4,558)</u>
Net fixed assets as of December 31, 2023	<u>2,363</u>	<u>451</u>	<u>92</u>	<u>452</u>	<u>48</u>	<u>3,406</u>

(1) The balance of the provision for impairment includes adjustment for the depreciation rate

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 12 - Fixed Assets (Cont.)

A. Composition of fixed assets: (Cont.)

2022:

	Machinery	Laboratory equipment	Computers and peripheral equipment	Leasehold improvements	Furniture	Total
	USD in thousands					
Cost:						
Balance as of January 1, 2022	3,925	2,232	561	1,335	331	8,384
Additions during the year	1,354	219	322	205	92	2,192
Balance as of December 31, 2022	5,279	2,451	883	1,540	423	10,574
Accumulated depreciation:						
Balance as of January 1, 2022	986	1,432	252	271	32	2,973
Additions during the year	171	171	140	125	30	637
Balance as of December 31, 2022	1,157	1,603	392	396	62	3,610
Amortized cost						
As of December 31, 2022	4,122	848	491	1,144	361	6,966
Impairment	(1,586)	(484)	(351)	(647)	(321)	(3,389)
Net fixed assets as of December 31, 2022	2,536	364	140	497	40	3,577

As of December 31, 2023 and 2022, the share price reflected a value for the Company which was less than the value of its equity in the financial statements as of that date. The Company therefore conducted a valuation of the fixed assets through an external valuer. In accordance with the valuation which the Company received, a decision was reached to depreciate the fixed assets in the amount of USD 1,716 thousand and USD 3,389 thousand as of December 31, 2023 and December 31, 2022, respectively. The impairment loss was recognized in the statement of income under the item for impairment of fixed assets.

Note 13 - Trade Payables

Composition:

	As of December 31	
	2023	2022
	USD in thousands	
Open accounts	1,385	2,493
	1,385	2,493

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 14 - Other Payables

Composition:

	As of December 31	
	2023	2022
	USD in thousands	
Payroll and employees	2,222	2,500*
Expenses payable	735	894
Accrued income ⁽¹⁾	434	333
Institutions	2	25 *
Advance payments from customers	266	323
Warranty provision	71	81
Liabilities in respect of grants	29	55
Other payables	20	3
	3,779	4,214

(1) For additional information see Note 15B, Material Engagements.

*) Reclassified

Note 15 - Material Engagements

- A. On February 22, 2021, the Company entered into a framework agreement with TDK (the “Agreement”) for TDK’s participation in the Company’s “green ammonia” project, intended to develop a product that will allow the production of “green ammonia” (the production of ammonia without any CO₂ emissions) (the “Project”). The Project will be carried out in three stages of development, regarding each of which the Company will be signing a specific project agreement with TDK (as of the date of the financial statements, the first stage has been signed). Within the framework of the agreement, TDK will be participating in financing some of the project costs in the amount of USD 1.5 million, subject to the fulfillment of certain development goals. According to the agreement, all of the intellectual property which is developed under the agreement belongs to the Company. In return for the financing and as part of the strategic collaboration, TDK will be entitled, inter alia, to receive updates and reports from time to time pertaining to the progress of the Project and its products, right of first refusal for the examination and purchase of a prototype product within the framework of the Project (on the dates set in the agreement), as well as first voting right for negotiations for engagement in a commercial agreement in connection with the Project’s products in Japan and in other territories insofar as they are agreed upon, which may include sales rights, service production and/or an license on an exclusive basis (on the dates and framework conditions set in the agreement). In 2021, the Company received the first payment under the agreement, in the amount of approximately USD 483 thousand, and recognized amortization of research and development expenses in the entire amount.

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

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 15 - Material Engagements (Cont.)

- B. Over the course of 2020, the Company entered into an agreement with the European Commission (the “Organization”), which entered into effect in November 2020, within the framework of which the Company will take part in the Horizon 2021 project in conjunction with a number of various bodies from around the world. Under the agreement, it was determined that the Company will participate in several trials of its systems, and will be entitled to receive reimbursement from the organization in respect of its expenses in connection with conducting the foregoing trials, in a total amount of EUR 356 thousand (approximately USD 422 thousand), which will be distributed over a period of around 3 years. In 2021, the Company received, within the framework of the agreement, a total of approximately EUR 213 thousand (approximately USD 253 thousand), and recognized amortization of research and development expenses in the amount of approximately USD 7 thousand. In 2022, the Company received, within the framework of the agreement, an additional total of approximately EUR 89 thousand (approximately USD 94 thousand), and recognized amortization of research and development expenses in an additional amount of approximately USD 7 thousand. As of December 31, 2022, the Company has received, within the framework of the agreement, a total of approximately EUR 302 thousand (approximately USD 347 thousand), and recognized research and development expenses in the amount of approximately USD 7 thousand. In 2023, the Company recognized an amortization of research and development expenses in the amount of approximately USD 52 thousand.
- C. In 2023, the Company entered into an agreement with the Europe Dynamic (the “Organization”), which entered into effect in October 2023, within the framework of which the Company will take part in the WeForming project, together with various entities from around the world. Under the agreement, it was determined that the Company will participate in a project of efficient buildings with green energy networks, and will be entitled to receive reimbursement from the organization in respect of its expenses in a total amount of EUR 256 thousand (approximately USD 280 thousand), which will be distributed over a period of around 3 years. In 2023, the Company received, within the framework of the agreement, a total of approximately EUR 141 thousand (approximately USD 154 thousand), and recognized amortization of research and development expenses in the amount of approximately USD 1 thousand.
- D. On December 19, 2020, the Company was informed that it had won, together with a local partner in Mexico (hereinafter: the “Local Partner”), a tender which was conducted by Federal Electricity Commission of Mexico - the CFE (the “Tender” and “CFE”, respectively), For the provision and installation of 37 G5rx systems, adapted for operation in transformer stations (the “Systems”), as well as installation, maintenance and warranty services for two years.
- In accordance with the tender terms, in January 2021 the Company provided a bank guarantee in the amount of USD 1.2 million, and deposited an identical amount as a pledged deposit. During the months January - February 2021, 37 of the Company’s systems were shipped to Mexico within the framework of the tender of CFE, and reached their destination in April 2021.

On July 3, 2021, the Company signed a joint venture agreement with the local partner in Mexico (hereinafter: the “Agreement”). Under the agreement, it was determined that the Company will be responsible for supplying the 37 systems in accordance with the conditions which were signed in the tender with CFE, and that works associated with the installation and maintenance of the systems, and the current treatment thereof, will be performed through the local partner, and not through the Company, such that the total consideration in respect of the agreement, in the amount of USD 5.8 million, will be divided between the local partner and the Company. Accordingly, the Company is entitled to a total of approximately USD 3.8 million in respect of the provision of the systems, the training of the local partner’s employees, and support for the local partner throughout the service period. It was further agreed that the local partner will provide CFE with installation and maintenance services which are given as part of the tender for a period of two years after the installation of the systems has been completed. The local partner will bear the expenses in respect of the provision of the foregoing services. Within the framework of the agreement, it was agreed that the local partner would collect all of the payments in respect of the tender directly the CFE, and transfer to the Company its share, as described above.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 15 - Material Engagements (Cont.)

It is noted that in accordance with the tender terms, CFE is entitled to increase the number of systems which will be provided and installed by the Company by the Company 100%, i.e., up to 74 systems in total, under the same terms as the tender terms. On August 17, 2021, the Company announced that CFE had exercised its foregoing right, and therefore, the Company is entitled to receive expected proceeds in respect of the supply of the additional systems and additional services in the amount of approximately USD 3.5 million, such that the total proceeds in respect of the tender amounted to a sum of approximately USD 11.6 million, of which the Company's share is approximately USD 7.3 million.

It is noted that in light of delays in the installation of the systems, CFE deducted a sum equal to 10% of the total proceeds of the Tender, of which a total of approximately USD 580 thousand will be deducted from the Company's share, such that the total proceeds received by the Company within the framework of the tender amounts to approximately USD 6.75 million.

In 2021, the Company supplied all 74 systems to CFE, completed the testing thereof in accordance with the tender terms, and completed the installation thereof during the years 2021 - 2022.

In accordance with the agreement, the Company recognized revenue in the amount of approximately USD 577 thousand, approximately USD 852 thousand, and approximately USD 5,226 thousand in the years 2023, 2022 and 2021, respectively.

On December 14, 2023, the Company signed a new agreement with GenCell Mexico (hereinafter: the "Customer"), to supply 52 REX systems, which will adapted for operation in transformer stations (the "Systems"), as well as site infrastructure, training, support services, software development, license fees and warranty, for a period of two years, for a total consideration of approximately USD 4.9 million. In 2023, the Company supplied 52 REX systems. In accordance with the agreement, in respect of those systems, the Company is entitled to consideration of approximately USD 3,744 thousand. The Company was also charged by the customer a total of approximately USD 70 thousand in respect of testing which GenCell Mexico performed for the Company.

At the end of 2023, the Company collected from the customer a total of approximately USD 3 million, of which a total of approximately USD 0.5 million was collected in respect of the remaining debt in respect of the first tender from the CFE transaction, and a total of approximately USD 1.4 million was in respect of the loan which was given. The remaining amount was collected in respect of the new agreement which was signed with GenCell Mexico, in the amount of approximately USD 1.1 million.

In accordance with the agreement, the Company recognized revenue in the amount of approximately USD 3,674 thousand in 2023.

Loan to the local partner:

In the agreement between the Company and the local partner, it was determined that the Company will provide it with a loan bearing annual interest of 5%, whereas of December 31, 2021, the balance of the loan amounted to a total of approximately USD 2.6 million. As of the signing date of the report, there is no orderly amortization schedule for the repayment of the loan, and its repayment depends on the payments which will be received from CFE.

In 2021, the Company created a provision for credit losses in the amount of approximately USD 1.5 million, in light of doubts which arose regarding the ability to collect the amount from the local partner.

On November 1, 2022, the Company and the local partner signed an agreement to settle the debt and distribute the payments in respect of the loan, according to which the debt will be repaid in 8 equal quarterly payments, from July 1, 2023 to April 1, 2025, in accordance with the amortization schedule which was determined between the parties. The Company evaluated the change in terms, and concluded that it does not constitute a material change in terms in accordance with generally accepted accounting principles. The Company classified the loan in its books as current asset and as a non-current asset (see Notes 7 and 10).

During the first half of 2023, the Company recognized an additional provision for credit losses in the additional amount of approximately USD 1.3 million, in light of the local partner's non-fulfillment of the payment arrangement, and in light of doubts which arose regarding the possibility of collecting the amount from the local partner.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 15 - Material Engagements (Cont.)

In the fourth quarter of 2023, the local partner transferred to the Company a total of approximately USD 1.4 million in respect of the loan. Following the above, the Company decided to thaw the provision for credit losses in the amount of approximately USD 0.9 million in respect of a loan, and recognized interest income in the amount of USD 0.5 million.

As of December 31, 2023, the provision for credit losses in respect of the entire loan amounts to USD 1.9 million.

- E. On November 14, 2021, the Company entered into an agreement with EV Motors Ltd. (“EVM”), an Israeli company which is engaged, inter alia, in importing electric vehicles, electric vehicle chargers, and electrical energy production and storage facilities, and which serves as the sole Israeli representative of a number of companies, including Surplus Sun Energy Co., a Chinese corporation specialized in the planning, development, production and construction of advanced systems for the production, storage and charging of electrical energy, including for electric vehicles (the “Collaboration Agreement”). The agreement establishes principles for a collaboration between the parties under which the Company’s systems which produce electrical energy from hydrogen and/or from clean ammonia, without emissions, will be integrated into EVM’s hybrid vehicle charging systems, with the aim of planning and building projects in Israel for charging electrical vehicles via off-grid hybrid autonomous charging stations, and in order to replace generators operating using fossil fuels (the “Project”).

In 2022, and in accordance with the collaboration agreement with EVM, EVM acquired additional EVOX™ fuel cell systems adapted to the specific needs of the hybrid vehicle MN charging systems of EVM’s subsidiary, which will be installed in electric vehicle charging stations that EVM will install in its facilities, or for its customers, including vehicle fleets, commercial centers, hi-tech companies, and more. The consideration which should have been received, and the amount of revenue which was recognized in respect of the sale of the Company’s systems, as stated above, amounted to approximately USD 5 million, plus VAT. In the fourth quarter, the order was increased and updated to a total of approximately USD 5.66 million, plus VAT. In accordance with the agreement, the Company recognizes revenue in respect of 2 performance obligations: the first, upon the delivery of the EVOX™ systems to EVM; and the second, upon the delivery of the infrastructure equipment which allows adjusting the EVOX™ systems to the electrical infrastructure of EVM’s sites.

As of December 31, 2022, the Company has collected from the customer, within the framework of the last 2 orders described above, a sum of approximately USD 2.8 million (including VAT). Additionally, a bank check in the amount of approximately USD 3.7 million was received, redeemable until April 30, 2023. Proximate to the redemption date of the check, EVM requested the Company not to redeem the check, in order to reach other understandings in connection with the payment of the debt towards the Company.

Additionally, during 2022, and in accordance with the collaboration agreement with EV, it was agreed between the parties that EV will purchase from the Company planning, construction and infrastructure services in respect of several sites in which EVOX™ systems will be installed. Under this agreement, the Company will recognize revenue based on the rate of progress in the project and the provision of services for the various sites, on a “cost +” basis. In 2022, the Company recognized income in respect of this order in the amount of USD 238 thousand, and as of the Reporting Date, it has recognized an additional total of approximately USD 276 thousand. For additional information, see Note 19.

During the first half of 2023, a corporation which is in the process of negotiating to acquire the ownership of EVM (the “**Buying Corporation**”) contacted the Company, and undertook towards the Company to pay the entire debt of EVM, whether through the buying corporation or directly through EVM, by the end of 2023. In light of the foregoing, the Company collected from the buying corporation a total of NIS 5 million (approximately USD 1.4 million), and accordingly, the Company did not redeem the check which was received from EVM, in the amount of USD 3.7 million, redeemable until April 30, 2023. The Company also received from the buying corporation four postdated checks in the amount of approximately NIS 1 million (approximately USD 270 thousand) each, of which one check was redeemed in September 2023, and the others were deposited after their redemption date, and voided. The Company also received from EVM one check in the amount of NIS 1 million (approximately USD 270 thousand), which was redeemed in July 2023.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 15 - Material Engagements (Cont.)

On January 25, 2024, the Company signed an agreement with EVM, in which EV recognized the debt principal, and is obligated to pay it, and agreed upon a temporary transfer of the systems to the possession of GenCell, until the debt has been repaid. By virtue of this agreement, the systems were transferred from EV's possession to GenCell's possession, by transferring them from an external storage unit on account of EV, to an external storage unit on account of GenCell.

As of December 31, 2023, the balance of debt of EVM and the buying corporation amounted to a total of approximately USD 3,722 thousand, after deducting a provision for expected credit loss in the amount of approximately USD 619 thousand.

On March 3, 2024, a statement of claim was filed in the amount of USD 4,585,671 (NIS 16,370,846), including VAT and interest on the debt. In parallel, a motion was filed to order temporary liens, on an ex parte basis, on the assets of EVM and Holon Motors, in respect of the entire claim amount. The Court accepted the motion to order temporary liens on the assets of EVM and Holon, up to a total of USD 4,201,680 (NIS 15 million).

On March 19, 2024, the Company and EVM reached a payment arrangement in respect of the entire debt. The arrangement received force of ruling of the District Court of Tel Aviv.

The payment arrangement which was determined between EVM and the Company is as follows: The Court will order the immediate removal of the liens which were imposed on EVM, on an ex parte basis, on the condition that, out of the amount which was seized, by lien, on EV's bank account, a total of NIS 1,170,000 (including VAT) will be transferred to GenCell. On March 21, 2024, EVM transferred to the Company a total of NIS 1,170,000, in accordance with the settlement agreement.

By June 30, 2024, and after the Company helps EVM in operating their first EVOX system, EVM will pay to the Company a total of NIS 2,340,000 (including VAT).

Following the execution of the foregoing payments, EVM will pay to the Company, at the end of each quarter, beginning from September 30, 2024, and by September 30, 2025, a total of NIS 2,305,000 (including VAT), until the entire debt towards the Company has been repaid, including interest and linkage.

The Company agreed to give EVM a discount in the amount of half of the interest if EVM pays the entire amount of principal in respect of the debt by December 31, 2024, the temporary liens which were imposed on the buying corporation.

IF EVM does not fulfill the payment arrangement, the Company will be entitled to continue the claim process. As part of the arrangement, it was decided that the Company will present to EVM an properly operating EVOX system in accordance with the provisions of the set of agreements between the parties, and the Company will also be responsible for obtaining all of the regulatory approvals and permits which are required in order to operate the EVOX system in the Atlit project. The Company believes that it will be able to fulfill these conditions and to present a properly operating EVOX system, and to obtain all of the relevant approvals, as stated above. See Note 31C for details regarding events after the balance sheet date.

Note 16 - Contingent Liabilities and Commitments

Grants from BIRD Foundation:

In 2013, a research and development participation grant was approved for the Company, on behalf of the Israel-United States Binational Industrial Research and Development (BIRD) Foundation. In exchange for the grant, the Company undertook to pay royalties to BIRD Foundation at a rate of 5% of the future sales of the supported component resulting from the research and development, up to 150% of the total grant which was received. As of December 31, 2022, the Company had received a grant from BIRD Foundation in the total amount of approximately USD 521 thousand (hereinafter: the "First Grant").

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 16 – Contingent Liabilities and Commitments

It was also decided within the framework of the agreement that the Company will be responsible for all sales of the developed product and will bear sole responsibility for the obligation to repay the principal to the BIRD Foundation, which also includes the share of the American company which is a partner in the project. The total amount of grants which were received in respect of this project amounts to approximately USD 804 thousand, and as of December 31, 2023, the total liability in respect of the project amounted to approximately USD 738 thousand.

In 2017, the Company received approval for a new grant (the “Second Grant”) for a new project (hereinafter: the “Second Project”), in the amount of USD 478 thousand, for a period of 24 months, beginning from January 2018. As of December 31, 2023, the total amount of the grant which the Company has received in respect of this project amounts to approximately USD 378 thousand (see Note 31C).

In 2020, the Company concluded that the results of the second project did not justify continued development, and accordingly, the Company announced the discontinuation of the project with BIRD Foundation, and the Company subsequently wrote off the liability in respect of that grant from the books.

Presented below are changes in the liability to BIRD Foundation:

	<u>As of December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>USD in thousands</u>	
Balance at beginning of year	761	641
Changes during the year:		
Finance income	(15)	128
Receipt of grant		-
Payment of royalties	(8)	(8)
Balance at end of year	<u>738</u>	<u>761</u>
Short term liabilities	20	55
Long term liabilities	718	706
Balance at end of year	<u>738</u>	<u>761</u>

Note 17 - Share Capital

A. Issued and paid-up registered capital:

	<u>Registered capital</u>		<u>Issued and paid-up capital</u>	
	<u>As of December 31</u>		<u>As of December 31</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Ordinary shares with a par value of NIS 0.01, which were repaid in full	<u>165,578,900</u>	<u>165,578,900</u>	<u>108,177,530</u>	<u>108,159,522</u>

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 17 - Share Capital (Cont.)

B. Public issuance of shares:

In April 2021, the Company completed an issuance of 3,484,000 ordinary Company shares, registered by name, with a par value of NIS 0.01 each, by way of a non-uniform offering, as prescribed in Regulation 11(A)(1) of the Securities Regulations (Method of Offering Securities to the Public), 2007 (the “**Offering Regulations**”), to institutional investors (as defined in the Offering Regulations), including foreign institutional investors, in accordance with a shelf offering report dated April 12, 2021, which was published by virtue of the Company’s shelf prospectus from November 9, 2020, dated November 10, 2020. The gross total consideration which the Company received in respect of the allocation of the foregoing shares amounted to approximately NIS 47,034 thousand (approximately USD 14,332 thousand), or in net terms, approximately NIS 45,093 thousand (approximately USD 13,739 thousand), and is used to finance the Company’s operating activities, as decided by the Company’s Board of Directors from time to time, in its discretion.

On January 17, 2022, the Company’s Board of Directors approved a private allocation of 11,966,979 ordinary Company shares with a par value of NIS 0.01 each (the “**Ordinary Shares**”), to third parties which are unaffiliated with the Company and/or its controlling shareholder (the “**Offerees**” and the “**Private Allocation**”, as applicable), against the payment of NIS 9.4 per ordinary Company share, such that the total gross consideration which was received from the Offerees amounted to a total of NIS 112,490 thousand (approximately USD 35,825 thousand), or a net total of approximately NIS 107,884 thousand (approximately USD 34,556 thousand). To the best of the Company’s knowledge, in the Private Allocation, Ordinary Shares were allocated, inter alia, to Migdal Insurance and Financial Holdings Ltd., an interested party in the Company, and to member entities of Harel Insurance Investments and Financial Services Group Ltd., which became an interested party as a result of the Private Allocation. It is noted that the Company undertook towards one of the offeree investors that during 2022, it would not allocate Company shares at a share price lower than NIS 11 per share, unless it performed an allocation to a strategic investor and/or as part of a strategic process.

C. Rights associated with ordinary shares:

As of the Reporting Date, ordinary shares give their holders the right to be invited, to participate, and to vote in all of the Company’s general meetings, and equal rights to receive a proportional part of the Company’s profits and stock dividends, if distributed. Additionally, each ordinary share will give its owner the right to receive a proportional part of the Company’s assets, which will be distributable upon its liquidation for any reason whatsoever, proportionately to the total par value of the shares which together make up the Company’s issued and paid-up capital at that time. Prior to the completion of the issuance of the offered shares, and the listing thereof in accordance with the prospectus, ordinary shares gave their owners the right to receive announcements and to participate in the Company’s shareholder meetings, with each ordinary share signifying one vote in the shareholder meeting, to participate in a distribution of stock dividends and distribution of profits, if approved, and distribution of retained earnings in case of a liquidation event or deemed liquidation event, as defined in the Company’s articles of association.

Note 18 - Share-Based Payment

A. Details of plans for the allocation of options / restricted shares to key position holders and consultants of the Company in 2022-2023:

On July 25, 2016, the Company’s Board of Directors approved an options plan according to which unlisted options for the purchase of ordinary Company shares may be allocated, from time to time, to employees, directors, officers, consultants, service providers and controlling shareholders of the Company, without consideration, as decided by the Company’s Board of Directors. The grant will be paid in accordance with Section 102 of the Income Tax Ordinance (New Version), 1961 (the “**Income Tax Ordinance**”), through a trustee track, or a non-trustee track. Consultants, service providers, controlling shareholders or any other entity which is not a Company employee will be allocated options in accordance with Section 3(i) of the Income Tax Order only. The plan will be in effect for 10 years after the date of its adoption through a resolution of the Board of Directors.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 18 - Share-Based Payment (Cont.)

On March 27, 2023, the Company's Board of Directors approved, after approval was received for this purpose from the Compensation Committee, the adoption of the 2023 equity compensation plan, by virtue of which the Company will be entitled to grant to employees and/or service providers of the Company, and/or to companies under its control, restricted share units (RSU's) and/or share options at a scope of 11,320,850 RSU's and/or share options. The grant will be paid in accordance with Section 102 of the Income Tax Ordinance (New Version), 1961 (the "Income Tax Ordinance"), through a trustee track, or a non-trustee track. Consultants, service providers, controlling shareholders or any other entity which is not a Company employee will be allocated options in accordance with Section 3(i) of the Income Tax Order only. The plan will be in effect for 10 years after the date of its adoption through a resolution of the Board of Directors.

Grant date	Number of options	Exercise price <u>USD</u>	Vesting conditions	Expiry date	Fair value of the option on the grant date <u>USD</u>	Benefit cost represented in the grant (1) <u>USD in thousands</u>
March 29, 2022	566,432	2.39	25% of the grant vests after one year, and later in 12 quarterly tranches. The employee is required to be employed in the Company on the vesting date.	March 29, 2032	1.98	1,120
August 29, 2022	791,936	1.02	25% of the grant vests after one year, and later in 12 quarterly tranches. The employee is required to be employed in the Company on the vesting date.	August 29, 2032	0.83	660
November 24, 2022	155,987	0.97	25% of the grant vests after one year, and later in 12 quarterly tranches. The employee is required to be employed in the Company on the vesting date.	November 24, 2032	0.47	73
April 19 2023	193,000	0.57	25% of the grant vests after one year, and later in 12 quarterly tranches. The employee is required to be employed in the Company on the vesting date.	March 27, 2033	0.42	81
April 19, 2023	2,280,565	0.57	50% of the grant vests after eight months, and later in 11 quarterly tranches. The employee is required to be employed in the Company on the vesting date.	March 27, 2033	0.57	1,300
April 19, 2023	2,519,673	0.57	25% of the grant vests after one year, and later in 12 quarterly tranches. The employee is required to be employed in the Company on the vesting date.	March 27, 2023	0.57	1,436

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 18 - Share-Based Payment (Cont.)

B. Estimated fair value of the options:

The parameters which were used in the application of the model to the allocations specified in the above section were as follows:

<u>Grant date</u>	<u>January 17, 2021</u>	<u>March 21, 2021</u>	<u>August 3, 2021</u>	<u>November 23, 2021</u>	<u>March 29, 2022</u>	<u>August 29, 2022</u>	<u>November 24, 2022</u>	<u>April 19, 2023</u>
The Company's share price (in USD)	5.54	4.10	3.96	3.90	2.25	0.96	0.56	0.48
Expected volatility	94.42	94.42	93.01	96.47	96.47	93.07	93.44	92.09
Risk-free interest rate	0.93	1.36	1.13	1.25	1.69	2.42	3.3	3.8
Expected dividend rate	0	0	0	0	0	0	0	0

C. Details regarding the impact of share-based payment transactions on the Group's profit or loss:

	<u>For the year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>USD in thousands</u>	
General and administrative expenses	1,026	1,417
Cost of sales	626	1,113
Research and development expenses, net	706	889
Selling and marketing expenses	(384)	938
	<u>1,974</u>	<u>4,357</u>

D. Additional details regarding granted options:

	<u>As of December 31, 2023</u>		<u>As of December 31, 2022</u>	
	<u>Number of options</u>	<u>Weighted average exercise price USD</u>	<u>Number of options</u>	<u>Weighted average exercise price USD</u>
Granted options which:				
Outstanding at beginning of year	8,623,716	1.896	7,555,783	1.70
Granted - options	193,000	0.57	1,514,355	1.53
Expired	695,301	1.93	175,660	1.25
Forfeited (unvested and expired)	511,214	1.77	21,576	4.01
Exercised options	18,008	0.27	249,186	3.03
Outstanding at end of year	<u>7,592,193</u>	2.46	<u>8,623,716</u>	1.896

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 18 - Share-Based Payment (Cont.)

- (3) Approval of allocation of 193,000 unlisted options to officer in the Company by virtue of the 2016 options plan, at an exercise price of USD 0.57 (NIS 2.1) per share, vesting over a period of four years, each of which is exercisable into one ordinary Company share with a par value of NIS 0.01, in accordance with the Company's options plan for employees. The benefit value in respect of these grants amounted to a total of approximately USD 81 thousand. The parameters which were used in applying the Black Scholes model to the allocation described in the above section were as follows: Company share price as of the grant date - USD 0.51, risk-free interest rate - 3.8%, expected volatility - 92.1%, projected period of the options - 10 years. Expected dividend rate: 0%.
- (4) Approval of an allocation of 4,916,905 RSU's, which will be allocated to 16 employees of the Company, including officers in the Company, in accordance with the 2023 equity compensation plan; It is noted that 4,800,236 RSU's were allocated in practice; The benefit value in respect of these grants amounted to a total of approximately USD 2,736 thousand.
- (5) On June 5, 2023, a ruling was received from the Israel Tax Authority regarding the repricing of the options in accordance with the provisions of section 102.

Note 19 - Sales

Composition:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Sale of systems	3,999	6,097
Maintenance, warranty and installation services, and system-related products	865	1,306
	<u>4,864</u>	<u>7,403</u>

Sales to customers resulting in revenue representing more than 10% of Group's total revenue were as follows:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Customer A	4,250	-
Customer B	276	5,891
Customer C	-	852
Total	<u>4,526</u>	<u>6,743</u>

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 20 - Cost of Sales

Composition:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Cost of goods sold to customers	3,279	3,923
Production expenses	88	713
Payroll and associated expenses, and subcontractors	4,968	3,049
Import and export costs	638	994
Customer support expenses	453	522
Overhead costs	487	386
Others	10	51
Warranty provision	70	81
Expenses in respect of impairment provision	41	335
	10,034	10,054

Note 21 - Research and Development Expenses, Net ⁽¹⁾

Composition:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Payroll and associated expenses, and subcontractors	8,896	5,168
Overhead costs	1,375	1,025
Consultants and materials	2,423	1,373
International travel	197	440
Import expenses	117	76
Patents	95	67
Research consultants	6	40
Others	153	174
	13,262	8,363
After deducting participation in expenses ⁽²⁾	(54)	(507)
	13,208	7,856

(1) In 2022, the Company capitalized research and development expenses in the amount of approximately USD 6.3 million, in accordance with the provisions of IAS 38. In 2023, the Company discontinued the capitalization of development expenses. For additional information, see Note 11.

(2) For additional information see Note 14B, material engagements.

Note 22 - Selling and Marketing Expenses

Composition:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Payroll and associated expenses, and subcontractors	2,423	3,664
Overhead costs	590	823
Advertising and sales promotion expenses	922	649
International travel	206	184
Others	20	-
	4,161	5,320

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 23 - Administrative and General Expenses

Composition:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Payroll and associated expenses, and subcontractors	3,926	4,210
Professional services	526	631
Overhead costs	874	682
Seminars and events	299	228
Legal expenses	152	167
Office maintenance	199	151
Expenses in respect of expected credit losses	619	-
Provision for impairment of loan	361	-
Others	100	42
	<u>7,056</u>	<u>6,111</u>

Note 24 - Finance Expenses and Income

A. Finance expenses:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Exchange differences	-	3,103
Bank fees	62	125
Loan interest expenses	16	-
Finance expenses in respect of hedge transactions	204	-
	<u>282</u>	<u>3,228</u>

B. Finance income:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Interest income from deposits	2,702	2,364
Finance income in respect of leases and grants	2	662
Finance expenses in respect of hedge transactions	-	348
Loan interest income	509	130
Interest from institutions	3	11
Exchange differences	104	-
	<u>3,320</u>	<u>3,515</u>

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 25 - Segmental Reporting and Entity-Level Disclosures

Based on the method for assessment of the separate financial information which is routinely evaluated by the Chief Operating Decision Maker, the Company has one operating segment - the development and production of fuel cell-based energy systems.

Entity-level disclosures:

The total revenues are attributed to geographical regions based on the location of the end customer.

The following table specifies the revenues by geographical areas:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Mexico	4,250	852
Israel	278	5,895
United States	94	328
Others	242	328
	<u>4,864</u>	<u>7,403</u>

Note 26 - Loss per Share

Instruments which could potentially dilute basic earnings per share in the future, but which were not included in the calculation of diluted earnings per share since their effect was antidilutive:

	For the year ended December 31	
	2023	2022
Options which were issued within the framework of share-based payment arrangements	7,592,193	8,623,716
Restricted share	4,800,000	-
	<u>12,392,193</u>	<u>8,623,716</u>

Note 27 - Financial Instruments

A. Capital management policy:

The Group manages its equity with the aim of ensuring that it is able to continue operating as a going concern, by raising capital and selling products for the purpose of continuing its business activities, including research and development.

The Group may perform various actions in order to maintain or adjust its capital structure. Since its establishment, the Group has financed its activities through capital issuances, the receipt of conditional grants from BIRD Foundation (see Note 15), and sale of products.

B. Significant accounting policies:

For details regarding the significant accounting policies and methods which were adopted, including conditions for recognition, the measurement basis, and the basis for recognition of income and expenses in respect of each group of financial assets, financial liabilities and equity instruments, see Note 2.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Financial Instruments (Cont.)

C. Groups of financial instruments:

Financial instruments presented at amortized cost:

	As of December 31	
	2023	2022
	USD in thousands	
Financial assets:		
Cash and cash equivalents	4,792	10,574
Short term deposits	26,541	48,378
Customers	5,842	5,450
Other receivables	1,586	1,931
Restricted deposits	1,851	1,788
	40,612	68,121
Financial liabilities:		
Trade payables	1,385	2,493
Other payables	3,079	4,214
Lease liabilities	7,250	8,042
Liabilities in respect of grants from BIRD Foundation	738	762
	12,452	15,511

C. Groups of financial instruments (Cont.)

	As of December 31	
	2023	2022
	USD in thousands	
Financial instruments presented at fair value:		
Derivative financial instruments	177	(1,584)
	177	(1,584)

D. Goals of financial risks management:

The Group's activities expose it to various financial risks, such as market risks (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's enterprise risk management plan is intended, inter alia, to reduce currency risks by adjusting the expense budgets in the various currencies and bank deposits in which cash balances are deposited at the bank. Risk management is performed in accordance with a resolution which has been approved by the Board of Directors.

E. Market risk:

Exposures to market risks are through sensitivity analyses.

During the Reporting Period, no changes occurred in the exposure to market risks, or in the way in which the Group manages or measures the risk.

The Group's practice is not to use derivative financial instruments to hedge the exposures. Risk management is performed in accordance with a resolution which has been approved by the Board of Directors.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Financial Instruments (Cont.)

E. Market risk: (Cont.)

(1) Currency risk:

The Group's functional currency is the USD. Apart from the USD, the Group also has balances in foreign currency, mostly NIS and EUR. This creates exposure to volatility in exchange rates.

During the Reporting Period, no significant changes occurred in the exposure to currency risk, or in the Group's method of managing or measuring the risk.

The book values of the Group's financial assets and liabilities which are denominated in foreign currency are as follows:

	As of December 31	
	2023	2022
	USD in thousands	
Assets:		
NIS	11,606	4,597
EUR	190	162
CHF	9	-
GBP	448	118
	<u>12,253</u>	<u>4,877</u>
Liabilities:		
NIS	31,823	14,459
EUR	417	46
CHF	-	-
GBP	77	16
	<u>32,317</u>	<u>14,521</u>
Financial assets at fair value through other comprehensive income:		
Investments in debt instrument measured at fair value through other comprehensive income	<u>126</u>	<u>1,583</u>
	<u>16,104</u>	<u>16,104</u>

Sensitivity analysis of foreign currency:

The Company is mostly exposed to the NIS currency.

A 5% increase or decrease in the USD/NIS exchange rate would have resulted in finance income of approximately USD 1,010 thousand and in finance expenses of approximately USD 493 thousand as of December 31, 2023 and 2022, respectively.

(2) Interest rate risk:

The Company has no financial liabilities which are affected by interest rate changes.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 27 - Financial Instruments (Cont.)

F. Management of credit risk:

Credit risk refers to the risk that the counterparty will not fulfill its contractual obligations and cause the Company to incur financial loss. The Company has a balance of customer debt from EVM in respect of products and services which the Company has provided (see Note 15E), as well as a debt amount in respect of a loan which was given by the Company to the local partner in Mexico in 2021. These debts represent a significant concentration of credit risk as of December 31, 2023 (see Note D).

G. Management of liquidity risk:

Since the Company does not yet have significant cash flows from operating activities, the Company's financing sources are based on the issuance of equity instruments to the public and to its shareholders.

The following tables specify the Company's remaining contractual repayment dates in respect of financial liabilities.

The tables were prepared based on the non-discounted cash flows of financial liabilities, based on the earliest date when the Company may be required to repay them, except for liabilities in respect of grants, which are based on the Company's repayment forecasts. The table includes cash flows in respect of both interest and principal:

	Annual average effective interest rate %	Up to one year	2-5 years	Over 5 years	Total
		USD in thousands			
As of December 31, 2023:					
Lease liabilities	3.63%	1,340	5,910	-	7,250
Liabilities in respect of grants	20%	17	721	-	738
		<u>1,357</u>	<u>6,631</u>	<u>-</u>	<u>7,988</u>
As of December 31, 2022:					
Lease liabilities	3.31%	1,265	50	6,727	8,042
Liabilities in respect of grants	20%	47	715	-	762
		<u>1,312</u>	<u>765</u>	<u>6,727</u>	<u>8,804</u>

H. Forward exchange contracts:

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

	Foreign currency		Book value of the hedging instruments Assets / (liabilities)	
	As of December 31		As of December 31	
	2023	2022	2023	2022
	USD in thousands		USD in thousands	
Cash flow hedging				
Sale of USD	6,913	18,076	178	1,584
Purchase of USD	-	-	-	-
up to 24 months	6,913	18,076	178	1,584

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 27 - Financial Instruments (Cont.)

I. Fair value:

Due to the nature of financial assets and liabilities, the Company believes that their book value is approximately identical to their fair value. The Company measures the derivatives for forward exchange contracts at level 1.

Note 28 - Transactions with Interested Parties and Related Parties

A. Balances of interested parties and related parties:

	As of December 31	
	2023	2022
	USD in thousands	
Related party payables ⁽¹⁾	628	827
Current liabilities to interested parties ⁽²⁾	155	226
	<u>783</u>	<u>1,053</u>

⁽¹⁾ These amounts represent balances of shareholders who are employed in the Company as key personnel, such as current salary, accumulated vacation days, etc.

⁽²⁾ These amounts represent balances of the Company's CEO and Board members, such as current salary, management fees, etc.

B. Transactions with interested parties and related parties:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Payroll expenses to interested parties employed in the Company	<u>616</u>	<u>505</u>
Consulting services from interested parties (D10)	<u>132</u>	<u>169</u>
Compensation to directors who are not employed in the Company (D10)	<u>416</u>	<u>692</u>
Number of interested parties employed in the Company	<u>1</u>	<u>1</u>
Number of directors who held office during the year, and who are not employed in the Company	<u>7</u>	<u>7</u>

C. Compensation and benefits to key management personnel:

	For the year ended December 31	
	2023	2022
	USD in thousands	
Short term benefits	2,404	2,920
Share-based payment	2,301	2,474
Post-employment benefits	155	160
	<u>4,860</u>	<u>5,554</u>

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 28 - Transactions and Balances with Interested Parties and Related Parties (Cont.)

D. Engagements and transactions with interested parties and related parties:

(1) Engagement in agreement with Rami Reshef - Company CEO:

Mr. Reshef has served as the Company's CEO since May 1, 2011. According to Mr. Reshef's employment agreement, Mr. Reshef is entitled to a monthly salary of approximately NIS 90,000. On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 20, 2023, to grant to Mr. Reshef a bonus for 2022 in an amount equal to approximately 6 salaries, all in accordance with the Company's compensation policy. On March 31, 2024, the Company's Board of Directors approved, after receiving approval from the Compensation Committee, a pay cut for Mr. Reshef at a rate of 20% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024.

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

Mr. Shavit has served as the Company's Business Development Manager since May 24, 2011. According to his employment agreement, Mr. Shavit is entitled to a monthly salary of approximately NIS 67.5 thousand. On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 20, 2022, to grant to Mr. Shavit a bonus for 2022 in an amount equal to approximately 4.5 salaries, all in accordance with the Company's compensation policy. On March 31, 2024, the Company's Board of Directors approved, after receiving approval from the Compensation Committee, a pay cut for Mr. Shavit at a rate of 15% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024.

(3) Engagement in agreement with Yossi Salomon – The Company's CFO:

Mr. Salomon has served as the Company's COO since April 19, 2015. According to Mr. Salomon's employment agreement, Mr. Salomon is entitled to a monthly salary of approximately NIS 72,000. On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 20, 2023, to grant to Mr. Salomon a bonus for 2022 in an amount equal to approximately 5.5 salaries, all in accordance with the Company's compensation policy. Subject to and in accordance with the approval of the Company's organs, the Company will grant Mr. Salomon a bonus in respect of 2023, in accordance with the provisions of the Company's compensation policy, and also approved a pay cut for Mr. Salomon at a rate of 15% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024.

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

Mr. Finkelstein has served as the Company's VP Technologies and Development since May 24, 2011. According to Mr. Finkelstein's employment agreement, Mr. Finkelstein is entitled to a monthly salary of approximately NIS 72,000. On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 20, 2023, to grant to Mr. Finkelstein a bonus for 2022 in an amount equal to approximately 3 salaries, all in accordance with the Company's compensation policy. On March 31, 2024, the Company's Board of Directors approved, after receiving approval from the Compensation Committee, a pay cut for Mr. Finkelstein at a rate of 15% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024.

GenCell Ltd.
Notes to the Consolidated Financial Statements

Note 28 - Transactions with Interested Parties and Related Parties

D. Engagements and transactions with interested parties and related parties: (Cont.)

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

On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 20, 2023, to grant to Mr. Ashkenazi a bonus for 2022 in an amount equal to approximately 2.5 salaries, all in accordance with the Company's compensation policy. In the first quarter of 2023, an agreement was reached between the Company and Mr. Amit Ashkenazi, who served as the Company's VP Sales, regarding the conclusion of his employment, effective beginning on April 12, 2023.

(6) Engagement in agreement with Shmuel Peretz – COO:

Mr. Shmuel Peretz has served as the Company's COO since July 1, 2021. According to Mr. Peretz's employment agreement, Mr. Peretz is entitled to a monthly salary of NIS 57 thousand.

On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 20, 2023, to grant Mr. Peretz a bonus for 2022 in an amount equal to 3.5 salaries, all in accordance with the revisions of the Company's compensation policy and to update Mr. Peretz's employment agreement so that starting April 1 2023 Mr. Peretz will be entitled to a monthly salary of 67,000 NIS. Subject to and in accordance with the approval of the Company's organs, the Company will grant Mr. Peretz a bonus in respect of 2023. On March 31, 2024, the Company's Board of Directors approved, after receiving approval from the Compensation Committee, a pay cut for Mr. Peretz at a rate of 10% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024.

(7) Engagement in agreement with Chaim Moshe – VP Customer Support:

Mr. Haim Moshe has served as the Company's VP Customer Support since January 15, 2015. According to Mr. Moshe's employment agreement, Mr. Moshe is entitled to a monthly salary of NIS 57 thousand.

On March 27, 2023, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee on March 20, 2023, to grant to Mr. Moshe a bonus for 2022 in an amount equal to approximately 3 salaries, all in accordance with the Company's compensation policy. On March 31, 2024, the Company's Board of Directors approved, after receiving approval from the Compensation Committee, a pay cut for Mr. Moshe at a rate of 10% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 28 - Transactions with Interested Parties and Related Parties

D. Engagements and transactions with interested parties and related parties: (Cont.)

(8) Engagement in agreement with Hadar Himmelman - VP Business:

Mr. Hadar Himmelman has been serving as the Company's VP Business since January 15, 2023. According to Mr. Himmelman's employment agreement (in this section only: the "Employment Agreement"), Mr. Himmelman is entitled to a monthly salary (in gross terms) of approximately USD 15,000 (NIS 57,000).

In accordance with the employment agreement, the Company is insuring Mr. Himmelman with pension insurance and is making all standard monthly contributions on his behalf to the pension fund. The Company also pays monthly contributions to a study fund.

Mr. Himmelman is entitled to 22 days of vacation per year with the ability to accumulate up to 25 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company provides Mr. Himmelman with a vehicle worth up to USD 41.31 thousand (approximately NIS 150 thousand), with Mr. Himmelman entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of its tax grossing-up. Alternately, the Company is entitled to pay Mr. Himmelman a monthly reimbursement of USD 1.37 thousand (approximately NIS 5,000) for his personal vehicle, with the exception of its tax grossing-up.

Additionally, according to the employment contract, the Company may reimburse Mr. Himmelman for use of Mr. Himmelman's personal cellphone, with the exception of its tax grossing-up.

During the first 12 months, the parties may conclude Mr. Himmelman's employment agreement at any time and with one month advance notice. Beginning from the 13th month, the parties may conclude Mr. Peretz's employment agreement at any time and with 3 months' advance notice.

The employment agreement includes an undertaking by Mr. Himmelman not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.

Mr. Himmelman is entitled to receive yearly bonuses (for achieving the Company's goals, personal goals and discretionary) and a special bonus, subject to the decision of the Company's organs and as specified in the Company's compensation policy, as will be determined from time to time.

The employment agreement also stated that subject to the approval of the Company's competent organs and as specified in the Company's compensation policy, Mr. Himmelman will be entitled once every four years to receive unlisted options, each of which is exercisable into one ordinary Company share, in accordance with the Company's options plan for employees and officers.

Additionally, Mr. Himmelman, as an officer of the Company, is entitled to release, undertaking to indemnify and officers liability insurance in accordance with the Company's articles of association and the Company's compensation policy and in accordance with the Company's standard practice.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 28 - Transactions with Interested Parties and Related Parties

D. Engagements and transactions with interested parties and related parties: (Cont.)

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

Mr. Boaz Ezer serves as the VP Product Development, and commenced employment in April 2023. According to Mr. Ezer's employment agreement (in this section only: the "Employment Agreement"), Mr. Ezer is entitled to a monthly salary (in gross terms) of approximately USD 15,000 (NIS 57,000).

In accordance with the employment agreement, the Company will insure Mr. Peretz with pension insurance, and is making all standard monthly contributions on his behalf to the pension fund. The Company will also pay monthly contributions to a study fund.

Mr. Ezer will be entitled to 22 days of vacation per year with the ability to accumulate up to 25 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company provided Mr. Ezer with a vehicle worth up to USD 41.31 thousand (approximately NIS 150 thousand), with Mr. Ezer entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of its tax grossing-up. Alternately, the Company is entitled to pay Mr. Ezer a monthly reimbursement of approximately USD 1.37 thousand (approximately NIS 5,000) for his personal vehicle, with the exception of its tax grossing-up.

Additionally, according to the employment contract, the Company may reimburse Mr. Ezer for use of Mr. Ezer's personal cellphone, with the exception of its tax grossing-up.

During the first 12 months, the parties may conclude Mr. Ezer's employment agreement at any time and with one month advance notice. Beginning from the 13th month, the parties may conclude Mr. Ezer's employment agreement at any time and with 3 months' advance notice.

The employment agreement includes an undertaking by Mr. Ezer not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement. Mr. Ezer is entitled to receive yearly bonuses (for achieving the Company's goals, personal goals and discretionary) and a special bonus, subject to the decision of the Company's organs and as specified in the Company's compensation policy, as will be determined from time to time. The employment agreement also stated that subject to the approval of the Company's competent organs and as specified in the Company's compensation policy, Mr. Ezer will be entitled once every four years to receive unlisted options, each of which is exercisable into one ordinary Company share, in accordance with the Company's options plan for employees and officers. Additionally, Mr. Ezer, as an officer of the Company, is entitled to release, undertaking to indemnify and officers liability insurance in accordance with the Company's articles of association and the Company's compensation policy and in accordance with the Company's standard practice.

In January 2024, Mr. Boaz Ezer concluded his tenure as VP Product Development.

(10) Engagement in services agreement with Asher Levy, Chairman of the Board

Mr. Asher Levy has served as the Chairman of the Board since October 7, 2020. In consideration of the provision of management services, the Company will pay to Mr. Levy management fees in the amount of USD 10,700 (NIS 37,500), which includes both the fixed component and all of the fringe and social benefits (except for reimbursement of expenses and company-wide benefits), which fulfill the cap specified in the compensation policy for the fixed component, along with the fringe benefits, in the amount of USD 37,800. Approval was given to grant to Mr. Levy 100,000 options with a benefit value of approximately USD 52,000 (approximately NIS 200 thousand) as of the grant date. The number of options to be given will be determined according to the value of the options on the actual grant date.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 28 - Transactions with Interested Parties and Related Parties

A. Engagements and transactions with interested parties and related parties: (Cont.)

- (11) On April 20, 2023, the Company announced that Sonol Israel Ltd. had become an interested party in the Company, due to an over-the-counter purchase of 4,952,471 ordinary Company shares from Ben Zion (Benny) Landa, a director in the Company, who, in light of the sale which formed the subject of the transaction, ceased being a director in the Company, and since that date, the Company has been a company without a control core.
- (12) The Company has a wholly owned subsidiary, GenCell Inc., which was registered in Delaware, USA, in 2017, and which was inactive until recently. In July 2023, the subsidiary commenced activity, and in August 2023, bank accounts were opened in the United States which are owned by the subsidiary, to which a total of approximately USD 5 thousand was transferred by the Company. The subsidiary was established for the purpose of expanding all of the Company's business activities in North America and the region.

Note 29 - Impact of Operation Swords of Iron

On October 7, 2023, a surprise attack was launched against the State of Israel, which led to the commencement of Operation Swords of Iron (the "War"), which is still ongoing as of the present time. There is currently a great deal of uncertainty in connection with the continuation of the war, and it is impossible to predict when it will conclude. The Company believes that the decrease in revenue during the Reporting Period, relative to the corresponding period last year, was partially due to the number of orders which the Company was expected to receive, and which were postponed due to the war. The Company believes that the above constitutes a deferral, and not a cancellation, and still expects to receive these orders in the first half of 2024.

As of the publication date of the report, the Company believes that the war's consequences are not significantly affecting the Company, and are not significantly affecting the Company's business activities. The Company also believes that the war could affect the Company's liquidity and financing sources. In light of the fact that an intensification of the war could cause additional damage to the Israeli economy, which would also be reflected in an increase of currency exchange rates, the Company could also be adversely affected, on that level, due to the ongoing war.

Note 30 - Taxes on Income

A. Tax rates which apply to the Company's revenues:

The Israeli corporate tax rate is 23%.

Company management believes that it will be able to meet the definition of a preferred technological enterprise / special preferred technological enterprise in development region A, which is subject to a tax rate of 12%.

The Company owes tax on its real capital gains according to the Company's tax rate during the year of sale.

B. The Company has been issued tax assessments that are considered as final through tax year 2016.

C. Carryforward losses:

The Company has accumulated losses and deductions for tax purposes as of December 31, 2023, to a sum of approximately USD 126,872 thousand, which may be carried forward and offset against future taxable income, for an unlimited period.

GenCell Ltd.

Notes to the Consolidated Financial Statements

Note 30 - Taxes on Income (Cont.)

D. Deferred taxes:

The deferred tax reflects the net tax differences of the temporary differences between the book values of assets and liabilities for financial reporting purposes, and the amounts which are used for income tax purposes. The Company accumulated carryforward losses in recent years; however, since the Company does not expect to generate taxable income in the foreseeable future, it is unable to recognize a deferred tax asset.

E. The tax expenses in the statement of income reflect payments in respect of excess expenses.

Note 31 - Events After the Balance Sheet Date

- A. In the first quarter of 2024, an agreement was reached between the Company and Mr. Boaz Ezer, who served as the Company's VP Development, regarding the conclusion of his employment, effective beginning from January 15, 2024.
- B. As part of the Company's efforts to reduce its current expenses, Messrs. Rami Reshef, Yossi Salomon, Gennadi Finkelshtain, Gil Shavit, Haim Moshe, Shmulik Peretz, Ariel Machtay and Asher Levy (the "Officers") notified the Company, based on their desire to assist in the Company's efforts, and their personal responsibility, that they wish to voluntarily reduce their salaries (in the range of 10-20%) for a period of six months beginning on January 1, 2024.
- C. On March 3, 2024, the Company filed a claim against EVM. For details regarding the developments, see Note 15E.



Part D - Additional Details Regarding the Corporation

1. Regulation 8(B)I - Material valuation

For details regarding a material valuation, see section 3 in Chapter B of the Periodic Report.

2. Regulation 9D - Report regarding liabilities by repayment dates

Attached in a separate immediate report.

3. Regulation 10A - Condensed statements of comprehensive income for 2023 (in thousands of USD):

Item	First half of 2023	Second half of 2023	All of 2023
Sales	485	4,379	4,864
Cost of sales	3,917	6,117	10,034
Gross loss	3,432	1,738	5,170
Research and development expenses, net	6,305	6,903	13,208
Selling and marketing expenses	2,199	1,962	4,161
General and administrative expenses	4,239	2,817	7,056
Impairment loss of fixed assets	663	1,053	1,716
Operating loss	16,838	14,473	31,311
Finance income (expenses)	1,829	1,209	3,038
Other income	8	20	28
Taxes on income	24	33	57
Loss	15,025	13,277	28,302
Other comprehensive loss (income)	(275)	(1,437)	(1,712)
Comprehensive loss	14,750	11,840	26,590

For details regarding the condensed statements of comprehensive income for 2023, see also Chapter C of the Periodic Report.

4. Regulation 10C - Use of proceeds from securities

During the Reporting Period, no securities were offered by virtue of the prospectus which was published by the Company.

5. Regulation 11 – List of investments in subsidiaries and associate companies as of the Reporting Date

As of the Reporting Date, the Company does not hold any other corporation, except as specified below.

<u>Name of company</u>	<u>Name of holder</u>	<u>Shares or convertible securities</u>		<u>Par value of the securities</u>	<u>Prices of stocks and convertible securities which are listed on the stock exchange as of December 31, 2023 (in thousands of NIS)</u>	<u>Prices of stocks and convertible securities which are held by the Company, out of all issued securities of this kind (in percent)</u>	<u>Rate held by the Company, directly or indirectly (in percent)</u>			<u>Balance of loans (In thousands of NIS)</u>			
		<u>Type of security</u>	<u>Number of securities</u>				<u>In equity</u>	<u>In voting rights</u>	<u>In the right to appoint directors</u>	<u>Balance</u>	<u>Repayment date</u>	<u>Linkage base</u>	<u>Interest</u>
GenCell Inc.	The Company	Ordinary shares	10,000	100	N/A	N/A	100%	100%	100%	N/A	N/A	N/A	N/A

It is noted that beginning in July 2023, GenCell Inc. commenced activity in the United States, in a scope which is immaterial to the Company as of the publication date of the report. For additional details the activity of GenCell Inc. in the United States, see section 3 in Chapter A of the Periodic Report.

6. Regulation 12 - Changes in material investments in subsidiaries and associate companies during the reporting period

During the Reporting Period, there were no changes in material investments in subsidiaries and associate companies.

7. Regulation 13 - Revenue of subsidiaries and associate companies, and revenues therefrom

Until and after the Reporting Date, the Company has not received any dividends, management fees or interest (“Revenues”) from GenCell Inc., and is not entitled to receive any such revenues in respect of the reporting year, or in respect of the subsequent period.

8. Regulation 20 - Trading on the Stock Exchange

8.1. During the Reporting Period, there was no suspension of trading of the Company’s shares.

8.2. During the Reporting Period, 18,008 ordinary Company shares were listed on the stock exchange, due to the exercise of unlisted options which were allocated to offerees by virtue of the Company’s 2016 options plan.

8.3. After the Reporting Period, 1,140,282 ordinary Company shares were listed on the stock exchange due to the vesting of RSU’s which were allocated to officers by virtue of the Company’s 2023 equity compensation plan.

9. Regulation 21 – Payments to interested parties and officers of the Company

9.1. Presented below are details regarding the compensation which was given to each of the five highest compensation recipients among the officers in the Company or in a company under its control, in connection with their tenure in the Company or in a company under its control, as applicable, regardless of whether the compensation was given by the Company or by another party, as recognized in the financial statements for the reporting year (amounts in USD):

Details of compensation recipients					Compensation for services								Other compensation		Total	
Name	Position	Description of terms of tenure and employment	Scope of position	Stake in the Company’s equity As of the publication of the report	Salary (1)	Bonus	Share-based payment	Share-based payment - restricted shares	Management fees	Consulting fees	Commissions	Other	Interest	Rent	Other	
Rami Reshef	CEO	9.5(A)	100%	4.53%	395,993	-	220,505	-	-	-	-	-	-	-	-	616,498
Yossi Salomon	CFO	9.5(B)	100%	2.39%	321,520	19,851	154,044	303,685	-	-	-	-	-	-	-	799,100
Gennadi Finkelshstain	VP Technologies and Development	8.5(C)	100%	3.93%]	307,345	-	154,534	189,367	-	-	-	-	-	-	-	651,246
Gil Shavit	Business Development Manager	9.5(D)	100%	2.73%	286,478	-	154,044	189,367	-	-	-	-	-	-	-	629,889
Shmuel Peretz	COO	9.5(E)	100%	0.00%	288,814	55,831	152,647	171,834	-	-	-	-	-	-	-	69,126

(1) Payroll costs include employer costs, including social and fringe benefits, loss of working capacity insurance, payroll-related expenses, and vehicle and cellphone.

9.2. Presented below are details regarding the compensation which was given to each interested party of the Company who is not listed in section 9.1 above, if the compensation was given by the Company or by a corporation under its control in connection with services which were given as an officer in the Company or in a corporation under its control, regardless of whether or not an employer - employee relationship exists, regardless of whether or not the interested party is an officer in the Company, as recognized in the financial statements for the reporting year (amounts in USD):

9.3. Compensation Policy

Additionally, On November 8, 2020, the Company’s Board of Directors and general meeting approved, in accordance with Regulation 1 of the Companies Regulations (Expedient Regarding Obligation to Establish Compensation Policy), 2013 (in this section only: the “**Regulations**”), an exempt compensation policy for the Company in accordance with

Details of compensation recipients					Compensation for services							Other compensation			Total
Name	Position	Description of terms of tenure and employment	Scope of position	Stake in the Company’s equity As of the publication of the report	Payroll	Bonus	Share-based payment	Mgt. fees	Consulting fees	Fees	Other	Interest	Rent	Other	
Asher Levy	Chairman of the Board	9.6	20%	-	-	-	30,927	106,293	-	-	-	-	-	-	137,220

Section 2a of the regulations. In accordance with the provisions of the Regulations, the Company’s current compensation policy was described in the Company’s IPO prospectus, and is therefore considered as a compensation policy which was determined in accordance with section 267A of the Companies Law, and will require approval only five years after the date when the Company became a public company. For the text of the compensation policy, see Annex C in Chapter 8 of the IPO prospectus.

9.4. Compensation of directors – additional details

On November 8, 2020, the Company’s Board of Directors and the Company’s general meeting approved that the compensation which will be paid to all directors who do not receive salaries or management fees from the Company, who hold office from time to time,

will be according to the “maximum amount” prescribed in the Companies Regulations (Rules Regarding Compensation and Expenses of Outside Director), 2000 (the “**Compensation Regulations**”), and that the compensation which will be paid to expert outside directors will be as prescribed in the Compensation Regulations. The directors will also be entitled to reimbursement of expenses in accordance with the Compensation Regulations.

On the same date, the Company’s Board of Directors and the Company’s general meeting approved an allocation of 70,000 unlisted options to each of the following individuals: Messrs. Ben Zion (Benny) Landa and Michal Arlozorov, each of which is exercisable into one ordinary share of the Company, in accordance with the Company’s options plan for employees and officers, with the vesting period of the options distributed over 48 months, in accordance with the vesting schedule and the allocation terms. It is noted that as of the Reporting Date, 52,500 unlisted options have vested, and have not yet been exercised or expired, for each of the following individuals: Messrs. Ben Zion (Benny) Landa and Michal Arlozorov.

Without derogating from the foregoing, in accordance with a resolution of the Company’s competent organs, which may be passed, from time to time, the Company will be entitled to give to directors, who hold office from time to time, equity compensation in accordance with the provisions of the Company’s compensation policy.

On February 21, 2021, the Company’s general meeting approved, after receiving the approval of the Company’s Board of Directors, the foregoing compensation in accordance with the Compensation Regulations, to each of the following individuals: Messrs. Amikam Shafran, Eli Gorovici, Emanuel Avner and Sagi Eitan, where Messrs. Sagi Eitan and Emanuel Avner were appointed for tenure as initial outside directors in the Company, with them having, inter alia, accounting and financial expertise pursuant to the provisions of the Companies Regulations (Conditions and Tests for Directors with Accounting and Financial Expertise and for Directors with Professional Qualifications), 2005 (the “**Qualification and Expertise Regulations**”). For additional details, see the Company’s immediate reports dated January 17, 2021 and February 21, 2021, respectively (reference numbers 2021-01-007195 and 2021-01-020439, respectively). The above constitutes inclusion by way of reference.

Additionally, on March 3, 2021, the Company’s Audit Committee classified Ms. Michal Arlozorov as an independent director in accordance with the provisions of the Companies

Law. It is noted that Ms. Arlozorov is classified as having accounting and financial expertise in accordance with the Qualification and Expertise Regulations.

Additionally, on August 29, 2021, Mr. Amikam (Ami) Shafran was classified as having accounting and financial expertise in accordance with the Qualification and Expertise Regulations, and accordingly, the directors compensation which he is entitled to receive was updated in order to include an “expertise” addition for an expert outside director, as prescribed in the Companies Regulations (Rules Regarding Compensation and Expenses of Outside Director), 2000, and in accordance with the approval of the Company’s competent organs, as specified above.

On February 21, 2021, the Company’s general meeting approved, after receiving the approval of the Company’s Board of Directors, the allocation of 70,000 unlisted options to each of the following individuals: Messrs. Amikam Shafran, Eli Gorovici, Emanuel Avner and Sagi Eitan, and in total - 280,000 unlisted options, each of which is exercisable into one ordinary share, in accordance with the Company’s options plan for employees and officers, with the vesting period of the options distributed over 48 months, in accordance with the vesting schedule and the allocation terms. It is noted that on July 11, 2021, the general meeting of the Company’s shareholders approved, after approval was received from the Company’s Compensation Committee and Board of Directors, an amendment to the exercise price of unlisted options which were granted to Messrs. Sagi Eitan, Emanuel Avner and Amikam (Ami) Shafran and Eli Gorovici, to a price of NIS 4.99 (approximately NIS 16.3).

It is noted that as of the Reporting Date, 48,125 unlisted options have vested, and have not yet been exercised or expired, for each of the following individuals: Messrs. Sagi Eitan, Emanuel Avner, Amikam (Ami) Shafran, and Eli Gorovici.

For additional details, see the Company’s immediate reports dated January 17, 2021, February 21, 2021, June 3, 2021 and July 12, 2021, respectively (reference numbers 2021-01-007195, 2021-01-020439, 2021-01-035272 and 2021-01-051646, respectively). The above constitute inclusion by way of reference.

The amount in respect of participation in meetings, and the amount of annual compensation which the Company paid to all directors who do not receive salaries or management fees from the Company, in 2023, amounted to approximately USD 364 thousand.

9.5. Presented below are details regarding the terms of engagement with executive officers, as presented in table 9.1 above:

(A) Rami Reshef - Company CEO – Additional Details

Mr. Reshef has served as the Company's CEO since May 1, 2011. According to Mr. Reshef's employment agreement (in this section only the "**Employment Agreement**"), Mr. Reshef is entitled to a monthly salary (in gross terms) of approximately USD 29,000 (NIS 90,000).¹

On March 31, 2024, the Company's competent organs approved, after receiving approval from the Compensation Committee, a pay cut for Mr. Reshef at a rate of 20% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024, in light of his request, and further to his announcement regarding his desire to voluntarily reduce his salary. For additional details, see section 1.1.7 in Chapter B of the Periodic Report.

In accordance with the employment agreement, the Company is insuring Mr. Reshef with managers insurance, and is making all standard monthly contributions on his behalf, including to a study fund.

Mr. Reshef is entitled to 22 days of vacation per year with the ability to accumulate up to 50 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company pays to Mr. Reshef a monthly reimbursement of USD 1.6 thousand (approximately NIS 5.5 thousand) for his personal vehicle, with the exception of its tax grossing-up. Alternatively, the Company is entitled to provide Mr. Reshef with a vehicle worth up to USD 52,729 (approximately NIS 200,000), with Mr. Reshef entitled to choose the model and/or year of manufacture of the vehicle, and it bears all costs involved, with the exception of the tax grossing-up.

Additionally, according to the employment contract, the Company provides Mr. Reshef with a cellphone, and bears the associated costs, with the exception of its tax grossing-up. Alternatively, the Company may reimburse Mr. Reshef for the use of Mr. Reshef's personal cellphone.

¹ It is noted that the foregoing update to Mr. Reshef's monthly salary was approved by the Company's Compensation Committee and Board of Directors as an immaterial change to the terms of tenure and employment of the Company's CEO, in accordance with the provisions of section 272(D) of the Companies Law, all in accordance with the provisions of the Company's compensation policy.

The parties may conclude Mr. Reshef's employment agreement at any time and with 6 months' advance notice (in this section: the "**Advance Notice Period**"). In the event of the termination of his employment by the Company, with the exception of cases of end of employment under special circumstances, in addition to the advance notice period, Mr. Reshef will be entitled (a) to an adjustment bonus in an amount equal to 6 salaries (in this section only: "**Adjustment Bonus**"); and (b) to accelerate the vesting dates of options which have not yet vested by 6 months. It was further determined in the employment agreement that in case Mr. Reshef voluntarily resigns, the entitlement to the foregoing adjustment bonus will be determined in the discretion of the Company's Board of Directors.

The employment agreement includes an undertaking by Mr. Reshef not to compete with the Company's business during the agreement period and up to 12 months after the end of the employment agreement.

Additionally, Mr. Reshef, as an officer of the Company, is entitled to release, undertaking to indemnify and officers liability insurance in accordance with the Company's articles of association and the Company's compensation policy and in accordance with the Company's standard practice.

Mr. Reshef was allocated 712,976 unlisted options, each of which is exercisable into one ordinary share, in accordance with the Company's 2016 options plan, all in accordance with the approval of the Company's Board of Directors and the general meeting from November 8, 2020. It is noted that as of the Reporting Date, 534,732 unlisted options have vested, and have not yet been exercised or expired.

(B) Yossi Salomon – Company CFO – Additional Details

Mr. Salomon has served as the Company's CFO since April 19, 2015. According to Mr. Salomon's employment agreement (in this section only: the "**Employment Agreement**"), Mr. Salomon is entitled to a monthly salary (in gross terms) of approximately USD 23,000 (NIS 72,000).

On March 31, 2024, the Company's competent organs approved a pay cut for Mr. Salomon at a rate of 15% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024, in light of his request, and further to his announcement

regarding his desire to voluntarily reduce his salary. For additional details, see section 1.1.7 in Chapter B of the Periodic Report.

In accordance with the employment agreement, the Company is insuring Mr. Salomon with managers insurance, and is making all standard monthly contributions on his behalf, including to a study fund.

Mr. Salomon is entitled to 22 days of vacation per year with the ability to accumulate up to 50 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company pays to Mr. Reshef a monthly reimbursement of USD 1.6 thousand (approximately NIS 5.5 thousand) for his personal vehicle, with the exception of its tax grossing-up. Alternatively, the Company is entitled to provide Mr. Reshef with a vehicle worth up to USD 52,729 (approximately NIS 200,000), with Mr. Reshef entitled to choose the model and/or year of manufacture of the vehicle, and it bears all costs involved, with the exception of its tax grossing-up.

The Company pays Mr. Salomon a monthly reimbursement of approximately USD 1.5 thousand (approximately NIS 5,000) for his personal vehicle, with the exception of its tax grossing-up. Alternatively, the Company is entitled to provide Mr. Salomon with a vehicle worth up to USD 47,456 (approximately NIS 180,000), with Mr. Salomon entitled to choose the model and/or year of manufacture of the vehicle, and it bears all costs involved, with the exception of its tax grossing-up.

Additionally, according to the employment contract, the Company may reimburse Mr. Salomon for use of Mr. Salomon's personal cellphone, with the exception of its tax grossing-up.

The parties may conclude Mr. Salomon's employment agreement at any time and with 6 months' advance notice (in this section: the "**Advance Notice Period**"). In the event of the termination of his employment by the Company, with the exception of cases of end of employment under special circumstances, in addition to the advance notice period, Mr. Salomon will be entitled (a) to an adjustment bonus in an amount equal to 4 salaries (in this section only: "**Adjustment Bonus**"); and (b) to accelerate the vesting dates of options which have not yet vested by 4 months. It was further determined in the employment agreement that in case Mr. Salomon voluntarily resigns, the

entitlement to the foregoing adjustment bonus will be determined in the discretion of the Company's Board of Directors.

The employment agreement includes an undertaking by Mr. Salomon not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.

Additionally, Mr. Salomon, as an officer of the Company, is entitled to release, undertaking to indemnify and officers liability insurance in accordance with the Company's articles of association and the Company's compensation policy and in accordance with the Company's standard practice.

Mr. Salomon was allocated 422,351 unlisted options, each of which is exercisable into one ordinary share, in accordance with the Company's 2016 options plan, all in accordance with the approval of the Company's Board of Directors and the general meeting from November 8, 2020.

On March 27, 2023, the Company's Board of Directors approved an update to the exercise price of 422,351 unlisted options which were granted in the past to Mr. Salomon by virtue of the Company's 2016 options plan, such that the exercise price was updated to a price of USD 0.57 (around NIS 3.68), by way of cancellation and re-allocation. The vesting period of the options will be distributed over 48 months beginning from the grant date, in accordance with the vesting schedule and the allocation terms. It is noted that as of the Reporting Date, 316,763 unlisted options have vested, and have not yet been exercised or expired. On the same date, the Company's Board of Directors approved the allocation to Mr. Salomon of 801,845 RSU's by virtue of the Company's 2023 equity compensation plan, of which 400,293 RSU's are unvested, or have expired. The vesting period of the RSU's will be distributed over 48 months beginning from the grant date, in accordance with the vesting schedule and the allocation terms. For additional details, see the Company's immediate reports dated April 25, 2023, and July 10, 2023, July 12, 2023 and January 8, 2024 (reference numbers 2023-01-045015, 2023-01-078111, 2023-01-079104 and 2024-01-004182, respectively). The above constitute inclusion by way of reference.

(C) Gennadi Finkelshtain – Company CTO – Additional Details

Mr. Finkelshtain has served as the Company's VP Technologies and Development since May 24, 2011. According to Mr. Finkelshtain's employment agreement (in this

section only: the “**Employment Agreement**”), Mr. Finkelshtain is entitled to a monthly salary (in gross terms) of approximately USD 21,000 (NIS 72,000).

On March 31, 2024, the Company’s competent organs approved a pay cut for Mr. Finkelshtain at a rate of 15% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024, in light of his request, and further to his announcement regarding his desire to voluntarily reduce his salary. For additional details, see section 1.1.7 in Chapter B of the Periodic Report.

In accordance with the employment agreement, the Company is insuring Mr. Finkelshtain with pension insurance and is making all standard monthly contributions, including to a study fund.

Mr. Finkelshtain is entitled to 22 days of vacation per year with the ability to accumulate up to 50 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company provides Mr. Finkelshtain with a vehicle worth up to USD 47,456 (approximately NIS 180,000), with Mr. Finkelshtain entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of its tax grossing-up. Alternately, the Company is entitled to pay Mr. Finkelshtain a monthly reimbursement of USD 1,500 (approximately NIS 5,000) for his personal vehicle, with the exception of its tax grossing-up.

Additionally, according to the employment contract, the Company may reimburse Mr. Finkelshtain for use of Mr. Finkelshtain’s personal cellphone, with the exception of its tax grossing-up.

The parties may conclude Mr. Finkelshtain’s employment agreement at any time and with 6 months’ advance notice (in this section: the “**Advance Notice Period**”). In the event of the termination of his employment by the Company, with the exception of cases of end of employment under special circumstances, Mr. Finkelshtain will be entitled (a) to an adjustment bonus in an amount equal to 4 salaries (in this section only: “**Adjustment Bonus**”); and (b) to accelerate the vesting dates of options which have not yet vested by 4 months. It was further determined in the new employment agreement that in case Mr. Finkelshtain voluntarily resigns, the entitlement to the

foregoing adjustment bonus will be determined in the discretion of the Company's Board of Directors.

The employment agreement includes an undertaking by Mr. Finkelshtain not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.

Additionally, Mr. Finkelshtain, as an officer of the Company, is entitled to release, undertaking to indemnify and officers liability insurance in accordance with the Company's articles of association and the Company's compensation policy and in accordance with the Company's standard practice.

Mr. Finkelshtain was allocated 422,351 unlisted options, each of which is exercisable into one ordinary share, in accordance with the Company's 2016 options plan, all in accordance with the approval of the Company's Board of Directors and the general meeting from November 8, 2020.

On March 27, 2023, the Company's Board of Directors approved an update to the exercise price of 422,351 unlisted options which were granted in the past to Mr. Finkelshtain by virtue of the Company's 2016 options plan, such that the exercise price was updated to a price of USD 0.57 (around NIS 3.68), by way of cancellation and re-allocation. The vesting period of the options will be distributed over 48 months beginning from the grant date, in accordance with the vesting schedule and the allocation terms. It is noted that as of the Reporting Date, 316,763 unlisted options have vested, and have not yet been exercised or expired. On the same date, the Company's Board of Directors approved the allocation to Mr. Finkelshtain of 500,000 RSU's by virtue of the Company's 2023 equity compensation plan, of which 250,000 RSU's are unvested, or have expired. The vesting period will be distributed over 48 months beginning from the grant date, in accordance with the vesting schedule and the allocation terms. For additional details, see the Company's immediate reports dated April 25, 2023, and July 10, 2023, July 12, 2023 and January 8, 2024 (reference numbers 2023-01-045015, 2023-01-078111, 2023-01-079104 and 2024-01-004182, respectively). The above constitutes inclusion by way of reference.

(D) Gil Shavit – Business Development Manager – Additional Details

Mr. Shavit has served as the Company's Business Development Manager since May 24, 2011. According to his employment agreement (in this section only: the

“**Employment Agreement**”), Mr. Shavit is entitled to a monthly salary (in gross terms) of approximately USD 20,000 (NIS 67,500).

On March 31, 2024, the Company’s competent organs approved, after receiving approval from the Compensation Committee, a pay cut for Mr. Shavit at a rate of 15% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024, in light of his request, and further to his announcement regarding his desire to voluntarily reduce his salary. For additional details, see section 1.1.7 in Chapter B of the Periodic Report.

In accordance with the employment agreement, the Company is insuring Mr. Shavit with pension insurance, and is making all standard monthly contributions on his behalf, including to a study fund.

Mr. Shavit is entitled to 22 days of vacation per year with the ability to accumulate up to 50 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company provides Mr. Shavit with a vehicle worth up to USD 47,456 (approximately NIS 180,000), with Mr. Shavit entitled to choose the model and/or year of manufacture of the vehicle. The vehicle is used by Mr. Shavit for the purpose of his position, and the Company bears all associated costs, with the exception of its tax grossing-up. Alternately, the Company is entitled to pay Mr. Shavit a monthly reimbursement of USD 1,500 (approximately NIS 5,000) for his personal vehicle, with the exception of its tax grossing-up.

Additionally, according to the employment contract, the Company may reimburse Mr. Shavit for use of Mr. Shavit’s personal cellphone, with the exception of its tax grossing-up.

The parties may conclude Mr. Shavit’s employment agreement at any time and with 6 months’ advance notice (in this section: the “**Advance Notice Period**”). In the event of the termination of his employment by the Company, with the exception of cases of end of employment under special circumstances, in addition to the advance notice period, Mr. Shavit will be entitled (a) to an adjustment bonus in an amount equal to 4 salaries (in this section only: “**Adjustment Bonus**”); and (b) to accelerate the vesting dates of options which have not yet vested by 4 months. It was further determined in

the employment agreement that in case Mr. Shavit voluntarily resigns, the entitlement to the foregoing adjustment bonus will be determined in the discretion of the Company's Board of Directors.

The employment agreement includes an undertaking by Mr. Shavit not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.

Additionally, Mr. Shavit, as an officer of the Company, is entitled to release, undertaking to indemnify and officers liability insurance in accordance with the Company's articles of association and the Company's compensation policy and in accordance with the Company's standard practice.

Mr. Shavit was allocated 422,351 unlisted options, each of which is exercisable into one ordinary share, in accordance with the Company's 2016 options plan, all in accordance with the approval of the Company Board of Directors and the general meeting from November 8, 2020.

On March 27, 2023, the Company's Board of Directors approved an update to the exercise price of 422,351 unlisted options which were granted in the past to Mr. Shavit by virtue of the Company's 2016 options plan, such that the exercise price will be updated to a price of USD 0.57 (around NIS 3.68), by way of cancellation and re-allocation. The vesting period of the options will be distributed over 48 months beginning from the grant date, in accordance with the vesting schedule and the allocation terms. It is noted that as of the Reporting Date, 316,763 unlisted options have vested, and have not yet been exercised or expired. On the same date, the Company's Board of Directors approved the allocation to Mr. Shavit of 500,000 RSU's by virtue of the Company's 2023 equity compensation plan, of which 250,000 RSU's are unvested, or have expired. The vesting period will be distributed over 48 months beginning from the grant date, in accordance with the vesting schedule and the allocation terms. For additional details, see the Company's immediate reports dated April 25, 2023, and July 10, 2023, July 12, 2023 and January 8, 2024 (reference numbers 2023-01-045015, 2023-01-078111, 2023-01-079104 and 2024-01-004182, respectively). The above constitutes inclusion by way of reference.

(E) Shmuel Peretz – COO – Additional Details

Mr. Shmuel Peretz has served as the Company's COO since July 1, 2021. According to Mr. Peretz's employment agreement (in this section only: the "**Employment Agreement**"), Mr. Peretz was entitled to a monthly salary (in gross terms) of approximately USD 18 thousand (NIS 57 thousand), and beginning from March 27, 2023, to a total of approximately USD 19 thousand (NIS 67 thousand).

On March 31, 2024, the Company's competent organs approved, after receiving approval from the Compensation Committee, a pay cut for Mr. Peretz at a rate of 10% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024, in light of his request, and further to his announcement regarding his desire to voluntarily reduce his salary. For additional details, see section 1.1.7 in Chapter B of the Periodic Report.

In accordance with the employment agreement, the Company is insuring Mr. Peretz with pension insurance and is making all standard monthly contributions on his behalf to the pension fund. The Company also pays monthly contributions to a study fund.

Mr. Peretz is entitled to 22 days of vacation per year with the ability to accumulate up to 7 accumulated days, subject to the redemption of vacation days at the conclusion of the employment agreement.

The Company provides Mr. Peretz with a vehicle worth up to USD 47,456 (approximately NIS 180,000), with Mr. Peretz entitled to choose the model and/or year of manufacture of the vehicle and he bears all costs involved, with the exception of its tax grossing-up. Alternately, the Company is entitled to pay Mr. Peretz a monthly reimbursement of USD 1,500 (approximately NIS 5,000) for his personal vehicle, with the exception of its tax grossing-up.

Additionally, according to the employment contract, the Company may reimburse Mr. Peretz for use of Mr. Peretz's personal cellphone, with the exception of its tax grossing-up.

The parties may conclude Mr. Peretz's employment agreement at any time and with 3 months' advance notice.

The employment agreement includes an undertaking by Mr. Peretz not to compete with the Company's business during the agreement period and up to 12 months after the end of the agreement.

Mr. Peretz is entitled to receive yearly bonuses (for achieving the Company's goals, personal goals and discretionary) and a special bonus, subject to the decision of the Company's organs and as specified in the Company's compensation policy, as will be determined from time to time.

Additionally, Mr. Peretz, as an officer of the Company, is entitled to release, undertaking to indemnify and officers liability insurance in accordance with the Company's articles of association and the Company's compensation policy and in accordance with the Company's standard practice.

On November 23, 2021, the Company's Board of Directors approved, after approval was received from the Company's Compensation Committee, an allocation to Mr. Peretz of 193,000 unlisted options, each of which is exercisable into one ordinary share, in accordance with the Company's 2016 options plan.

On March 27, 2023, the Company's Board of Directors approved an update to the exercise price of 193,000 unlisted options which were granted in the past to Mr. Peretz by virtue of the Company's 2016 options plan, such that the exercise price was updated to a price of USD 0.57 (around NIS 3.68), by way of cancellation and re-allocation. The vesting period of the options will be distributed over 48 months beginning from the grant date, in accordance with the vesting schedule and the allocation terms. It is noted that as of the Reporting Date, 96,500 unlisted options have vested, and have not yet been exercised or expired. On the same date, the Company's Board of Directors approved the allocation to Mr. Peretz of 750,000 RSU's by virtue of the Company's 2023 equity compensation plan, of which 750,000 RSU's are unvested, or have expired. The vesting period will be distributed over 48 months beginning from the grant date, in accordance with the vesting schedule and the allocation terms. For additional details, see the Company's immediate reports dated April 25, 2023, and July 10, 2023, July 12, 2023 and January 8, 2024 (reference numbers 2023-01-045015, 2023-01-078111, 2023-01-079104 and 2024-01-004182, respectively). The above constitutes inclusion by way of reference.

9.6. The following are details on the terms of engagement with interested parties appearing in the table in 9.2 above:

Asher Levy – Chairman of the Board of Directors – Additional Details

On November 8, 2020, the Company's Board of Directors and general meeting approved the engagement with Mr. Levy, who is an employee of and shareholder in a private company owned by Mr. Ben Zion (Benny) Landa, the Company's former controlling shareholder, in an agreement to provide management services to the Company, for the period of time permitted by law, coming into effect from the completion of the offering of shares in accordance with the IPO prospectus and their listing on the stock exchange (in this section only: the "**Management Services Agreement**"), according to which Mr. Levy provides the Company with Chairman of the Board services in a 20% position.

In consideration of the provision of the management services, as stated above, the Company pays to Mr. Levy management fees in the amount of NIS 25,000 per month, plus duly calculated VAT (in this section only: the "**Management Fees**"), against the receipt of duly prepared tax invoices. The management fees are linked to the Consumer Price Index for September 2020 published on October 15, 2020, and are updated on a quarterly basis. The management fees are paid on a monthly basis, no later than the 10th day of each calendar month, in respect of the preceding calendar month.

On March 31, 2024, the Company's competent organs approved a pay cut for Mr. Levy at a rate of 20% of the monthly salary which he is entitled to receive in accordance with the employment agreement, for a period of 6 months, from January 1, 2024 to June 30, 2024, in light of his request, and further to his announcement regarding his desire to voluntarily reduce his salary. For additional details, see section 1.1.7 in Chapter B of the Periodic Report.

Mr. Levy is also entitled to reimbursement of expenses which he spent as part of the provision of the services to the Company, in accordance with the Company's policy, and against the presentation of the corresponding receipts, provided that, in respect of expenses which do not correspond to the Company's policy, the reimbursement will be paid subject to the approval of the Company's Board of Directors.

The Company provides Mr. Levy with an office, as needed, and bears all fixed and variable costs involved in using and maintaining the office, for the purpose of carrying out his obligations toward the Company.

The Company is entitled to discontinue the receipt of the management services at any time, in whole or in part, for any reason whatsoever, by providing notice 3 months in advance.

Additionally, Mr. Levy, as an officer of the Company, is entitled to release, undertaking to indemnify and officers liability insurance in accordance with the Company's articles of association and the Company's compensation policy and in accordance with the Company's standard practice in respect of its serving directors and officers.

The management services agreement also states that subject to the approval of the Company's competent organs and as specified in the Company's compensation policy, Mr. Levy will be entitled once every four years to receive unlisted options, each of which is exercisable into one ordinary Company share, in accordance with the Company's 2016 options plan.

Mr. Levy was allocated 100,000 unlisted options, each of which is exercisable into one ordinary share, in accordance with the Company's 2016 options plan. It is noted that as of the Reporting Date, 75,000 unlisted options have vested, and have not yet been exercised or expired.

10. Regulation 21a – Control of the Corporation

As of the Reporting Date, the Company is a company without a control core, according to the definition of the term "control" in section 1 of the Securities Law. It is noted that on April 19, 2023, following the sale of some of his holdings² in the Company, Mr. Ben Zion (Benny) Landa, who serves as a director in the Company, ceased being the Company's controlling shareholder.³

11. Regulation 22 - Transactions with controlling shareholder

Presented below are details, to the best of the Company's knowledge, regarding any transaction with the former controlling shareholder, or in which the former controlling shareholder has a personal interest in its approval, in which the corporation engaged during the reporting year or on a date after the end of the reporting year and before the publication date of the report, or which is still in effect as of the publication date of the report:

11.1. Transactions listed in section 270(4) the Companies Law

² For additional details, see the Company's immediate reports dated April 20, 2023 (reference numbers 2023-01-043266 and 2023-01-043611). The above constitutes inclusion by way of reference.

³ In accordance with information which was given to the Company, the foregoing stake is held through Landa Ventures Ltd., a private company wholly under his control (100%).

11.1.1. Directors' compensation

For details regarding the compensation of directors serving in the Company, including Mr. Ben Zion (Benny) Landa, the Company's former controlling shareholder, see 9.4 above.

11.1.2. Directors' and officers' insurance

For details regarding liability insurance for the Company's directors and officers, including Mr. Ben Zion (Benny) Landa, the Company's former controlling shareholder, see 21.4(a) below.

11.1.3. Letters of release and indemnity

For details regarding the letters of release and indemnification which were granted to directors and officers serving in the Company, including Mr. Ben Zion (Benny) Landa, the Company's former controlling shareholder, see 21.4(a) and(b) below.

11.2. **Transactions not listed in section 270(4) of the Companies Law**

11.2.1. Engagement in services agreement with the Chairman of the Board

For details regarding the services agreement with the Chairman of the Board, Mr. Asher Levy, who serves as the Chairman of the Board of Landa Digital Printing, a company controlled by Mr. Landa, see section 9.6 above.

For details regarding transactions with the Company's former controlling shareholder, see Note 28 in Chapter C of the Periodic Report.

12. **Regulation 24 – Holdings of interested parties and officers**

For details regarding the holdings of interested parties and executive officers of the Company as of the Reporting Date, see the Company's immediate report dated March 28, 2024 (reference number 2024-01-034329). The above constitutes inclusion by way of reference.

13. **Regulation 24a and Regulation 24b – Registered capital, issued capital, convertible securities and shareholders' registry**

For additional details, see the immediate report published by the Company on March 28, 2024 (reference number 2024-01-034320). The above constitutes inclusion by way of reference.

14. Regulation 25a – Registered address

Address: 7 HaTnufa St., Petach Tikva 4951025;

Telephone: 03-7261616;

Fax: 03-7261617;

Email address: info@gencellenergy.com

15. Regulation 26 – Company directors

Presented below are details regarding directors who hold office in the Company's Board of Directors as of the publication date of the report:

Name	Asher Levy	Ben Zion (Benny) Landa	Michal Arlozorov	Eliezer (Eli) Gorovici	Amikam (Ami) Shafran	Emanuel Avner	Sagi Eitan
ID No.:	055640791	314093550	055458921	059237016	061519153	056524192	51404457
Date of Birth	15.2.1959	2.6.1946	22.8.1958	1.2.1965	9.9.1954	5.7.1960	21.1.1954
Mailing address for service of process	19 Ha'Atzmaut St., Ra'anana	35 Ben Avi Itamar St., Nes Tziona	15 Bat Sheva St., Herzliya	19 Klausner St., Ra'anana	82 Rambam St., Ra'anana	17 Sderot HaHaskala, Tel Aviv	58 Shalva St., Herzliya Pituach
Citizenship	Israeli	Israeli and Canadian	Israeli and Portuguese	Israeli	Israeli	Israeli	Israeli
Commencement of tenure as director	7.10.2020	28.6.2018	16.9.2020	1.12.2020	8.12.2020	21.2.2021	21.2.2021
Membership in board committees	Strategy Committee	No	Financial Statements Review Committee, Enforcement Committee	Audit Committee, Strategy Committee, Enforcement Committee	Compensation Committee, Strategy Committee	Financial Statements Review Committee, Audit Committee, Compensation Committee, Strategy Committee, Enforcement Committee	Financial statements review committee, Audit Committee, Compensation Committee
Independent director or outside director as defined in the Companies Law	No	No	Yes - independent director ⁴	No	No	Yes, outside director	Yes, outside director
Has accounting and financial expertise or professional qualifications	Has accounting and financial expertise	Has professional qualifications	Has accounting and financial expertise	Has professional qualifications	Has accounting and financial expertise	Has accounting and financial expertise	Has accounting and financial expertise
Expert outside director	No	No	Yes	No	No	Yes	Yes

⁴ On March 3, 2021, the Company's Audit Committee classified Ms. Arlozorov as an independent director in accordance with the provisions of the Companies Law.

Name	Asher Levy	Ben Zion (Benny) Landa	Michal Arlozorov	Eliezer (Eli) Gorovici	Amikam (Ami) Shafran	Emanuel Avner	Sagi Eitan
Is the director an employee of the Company, of its subsidiary, or of its related company, or of any interested party therein? If yes, specify his roles	Yes, Chairman of the Board of Landa Digital Printing, a company controlled by Mr. Benny Landa	Yes, director in the Company and Chairman of the Board of Landa Ventures Ltd.	No	No	No	No	No
Education:	B.Sc. in Industrial Engineering, Ben Gurion University; M.B.A., Tel Aviv University; Graduate of the Advanced Management Program (AMP), Harvard Business School	M.A. in Art, London Film School	L.L.B, Tel Aviv University; B.A. in Political Science and Labor Studies, Tel Aviv University Graduate of the Advanced Management Program (AMP), Harvard Business School	Electrical engineer, Bridgeport University, Connecticut, USA	B.Sc. – Electrical Engineering – Ben Gurion University Beersheba M.B.A., Tel Aviv University	B.A. in Economics and Accounting, The Hebrew University of Jerusalem; M.B.A. with honors, Hebrew University, Jerusalem; Licensed C.P.A. in Israel, The Hebrew University of Jerusalem; Licensed C.P.A. in the USA;	B.A. in Economics and Accounting, Bar Ilan University; C.P.A.; Graduate of the Advanced Management Program (AMP), Harvard Business School
Business experience during the last 5 years	CEO of Orbotech Ltd. (2013-2019); Member of the managing board of the following associations: Leket Israel (R.A.); and Itim (R.A.); Chairman of the Board of NSO;	Entrepreneur; Director in the following corporations;	Former Senior VP, Legal Counsel, Corporate Communications Officer and Sustainability Officer of Adama Group, in Israel and China;	General manager of the security products division and general manager of the innovation division, Johnson Controls International PLC; Consultant at Beamup;	Chairman of the management board, Ariel University; CEO of Aurora Start Ltd. Shafran Consulting;	Outside director, Iramco Negev 2 Limited Partnership; Outside director, Moinian Limited. Clalit Health Services;	July 2004 to May 2019 - CEO of Property & Building Corporation Ltd.; Vice Chairman of the Board of Gav-Yam Bayside Land Corporation Ltd., Chairman of the Board of Matam - Scientific Industries Center Haifa Ltd., Chairman of the Board of Ispro The Israeli Properties Rental Corporation Ltd., Chairman of Gav Yam Negev Ltd.; Audit

Name	Asher Levy	Ben Zion (Benny) Landa	Michal Arlozorov	Eliezer (Eli) Gorovici	Amikam (Ami) Shafran	Emanuel Avner	Sagi Eitan
							committee member, Bank of Israel; June 2022 - Present: CEO of Peretz Bonei HaNegev Ltd.;
Serves as director in other corporations	Acting Chairman of the Board of Landa Digital Printing, a company controlled by Mr. Benny Landa; R.P. Grow- tec Innovation Ltd.	Rutigliano Ltd.; Torgania Ltd.; Solerno Ltd.; Landa Corporation Ltd.; Landa Labs (2012) Ltd.; Landa Ventures Ltd.; Landa Capital 2020 Ltd.; Lumet Technologies Ltd.; Lusix Ltd.; Landa Nanometalics Ltd. Nanometalics Ltd.; Ripleys Ltd.; Highcon Systems Ltd.; Landa Disruptive Investments Ltd.;	Holmes Place international Ltd.; Independent director in Shufersal Ltd.; Lycored Ltd.; Adama Makhteshim Ltd.; Adama Agan Ltd.;	Point.AI Ltd. Lusix Ltd.;	Paz Oil Company Ltd.; Pazkar Ltd.; Paz Lubricants and Chemicals Ltd.; El-Sight Ltd.; Aurora Star Ltd.; Waterfall Security Solutions Ltd.; Gilat Satellite Networks Ltd.; Innovistech Ltd.;	Audit committee member of Mifal HaPais;	Member of the management board, Bank of Israel.
Family relation to another interested party of the Company	No	No	No	No	No	No	No
Considered by the Company as having accounting and financial expertise in order to comply with the minimum number established by the Board of Directors pursuant to section 92(a)(12) of the Companies Law	No	No	Yes	No	Yes	Yes	Yes

16. Regulation 26a – Company officers

The following are details of the Company's officers as of the publication date of the report⁵:

Name	Rami Reshef	Yossi Salomon	Gil Shavit	Gennadi Finkelshtain	Shmuel Peretz	Hadar Himmelman	Haim Moshe	Ariel Machtey	Limor Ben Zimra ⁶	Gil Rogozinski
ID No.	58322181	022466171	56167182	304146558	056013865	013004692	036156693	026662544	039796818	024572059
Date of birth	9.9.1963	27.5.1966	1.1.1960	16.6.1959	21.9.1959	12.11.1962	28.6.1979	8.6.1980	16.7.1984	18.01.1970
Tenure commencement date	1.5.2011	19.4.2015	24.5.2011	24.5.2011	1.7.2021	15.1.2023	15.1.2015	2.12.2021	1.6.2023	24.3.2021
Position in the Corporation, in its subsidiary, in its related company, or as an interested party thereof	CEO	CFO, Supervisor of Internal Enforcement, Market Risks Manager	VP Business Development	VP Technologies	COO	VP Global Sales	VP Customer Support	VP Marketing	Comptroller	Internal Auditor
Education:	-	B.A. in Business Administration and Accounting, The College of Management Academic Studies; EMBA, Bar Ilan University;	Electrical and Electronics Engineer, Ben Gurion University	M.Sc. in Electrical Engineering, University of St. Petersburg, Russia	B.Sc. in Industry and Management, Ben Gurion University MBA, Ben Gurion University;	BSc in Machine Engineering, Fairleigh Dickinson University. MBA Fairleigh Dickinson University	Practical engineer in electronics, Kfar Sitrin; Quality engineering, ALD College;	B.Sc. in Marketing and Advertising, Fashion Institute of Technology, NY; M.A. in Marketing, New York University	B.A. in Business Administration and Accounting, The College of Management Academic Studies;	Certified Public Accountant; B.A. in Business Administration and Accounting, The College of Management Academic Studies; Certified Internal Auditor (CIA) and C.P.A. in the United States;

⁵ It is noted that as of January 15, 2023, Mr. Boaz Ezer no longer serves as the Company's VP Product Development.

⁶ On June 1, 2023, Mr. Ofir Zariel no longer serves as the Company's Comptroller, and in his place, Ms. Limor Ben Zimra was appointed as the Company's Comptroller. For additional details, see the Company's immediate reports dated June 1, 2023 (reference numbers 2023-01-059970 and 2023-01-059973). The above constitutes inclusion by way of reference.

Name	Rami Reshef	Yossi Salomon	Gil Shavit	Gennadi Finkelshtain	Shmuel Peretz	Hadar Himmelman	Haim Moshe	Ariel Machtay	Limor Ben Zimra ⁶	Gil Rogozinski
										Certification in Risk Management Assurance (CRMA).
Business experience during the last 5 years	CEO and director in the Company;	CFO;	President, business development manager and director in the Company;	VP Technologies and Development of the Company and director in the Company;	Global COO in Orbotech;	VP Business channel KLA, President Pacific Orbotech;	VP Customer Support and Projects in the Company	Marketing Manager, Wix.com Ltd.; Marketing Manager, Pepper, Bank Leumi; Marketing Manager, Sabra of Strauss Group;	Assistant Comptroller of the Company; Assistant Comptroller at the headquarters of Assuta Medical Centers Ltd. Comptroller of subsidiaries of Assuta Medical Centers Ltd.;	Managing Partner Internal auditing and consulting department Business - Focus Operational Financial Consulting Services Ltd.; Internal auditor of public companies - Focus Operational Financial Consulting Services Ltd.;
Relative of any officer or interested party in the Company?	No	No	No	No	No	No	No	No	No	No

17. Regulation 26b – Independent authorized signatories

The Company has no independent authorized signatories.

18. Regulation 27 - The Corporation's accountant

Name of firm: Deloitte - Brightman Almagor Zohar & Co.

Address: 1 Azrieli Center, Tel Aviv, 6116402.

19. Regulation 28 – Changes to bylaws or articles of association

During the Reporting Period, no changes were made to the Company's articles of association. For the full text of the articles of association, see the Company's immediate report dated November 18, 2020 (reference number 2020-01-123804). The above constitutes inclusion by way of reference.

20. Regulation 29 – Recommendations and resolutions of the Board of Directors

20.1. The Board of Directors' recommendations to the general meeting, and Board resolutions on issues specified in the regulations which do not require approval from the general meeting

1. Payment of dividends or performing distribution as defined in the Companies Law, in some other way or distribution of benefit shares – none.
2. Changing the Company's registered or issued capital – for details on the changes occurring in the Company's issued capital, see Note 17 to Chapter C of the Periodic Report.
3. Change to Company articles of association or articles of association – none.
4. Redemption of shares – none.
5. Early redemption of debentures – none.
6. Transaction not in accordance with market conditions, between the corporation and an interested party in it, with the exception of a transaction between the corporation and its subsidiary – none.

20.2. Resolutions of the general meeting which were passed without recommendation of the directors

None.

20.3. Resolutions of special general meetings

On February 5, 2024, a special general meeting was held, in which approval was given for the re-appointment of Messrs. Sagi Eitan and Emanuel Avner as outside directors in the Company, for an additional (second) three-year term, beginning on February 21, 2024. For additional details, see the Company's immediate report dated February 6, 2024 (reference number 2024-01-013686). The above constitutes inclusion by way of reference.

21. Regulation 29a – Corporate resolutions

- 21.1. Approval of actions in accordance with Section 255 of the Companies Law: None.
- 21.2. Action in accordance with Section 254(a) of the Companies Law that was not approved: None.
- 21.3. Extraordinary transaction requiring special approvals in accordance with Section 270(1) of the Companies Law: None.
- 21.4. Release, insurance or undertaking to indemnify⁷

(A) On November 15, 2022 and in accordance with Regulation 1b1 of the Companies Regulations (Expedients Regarding Interested Party Transactions), 2000 (the “**Expedient Regulations**”), the Company Audit Committee approved the Company's engagement in an insurance liability policy for directors and officers in the Company, serving and/or who may serve from time to time in the Company and/or in subsidiaries, in accordance with the Companies law for a period of 12 months starting November 25 2022 and ending November 24 2023, with liability limits in the total amount of up to approximately USD 15 million per case and another approximately 15 million for the period, at a yearly premium of approximately USD 40 thousand (the “**2022 Policy**”).

On November 16, 2023, and in accordance with Regulation 1b1 of the Companies Regulations (Expedients Regarding Interested Party Transactions), 2000, the Company Audit Committee approved the Company's engagement in an insurance liability policy for directors and officers in the Company, serving and/or who may serve from time to time in the Company and/or in subsidiaries, in accordance with

⁷ During the Reporting Period, the Company's competent organs approved, on a specific basis, inter alia, for all officers and directors whose tenure commenced during the Reporting Period, their inclusion in the insurance policy, and the granting of letters of release and indemnity as specified here in section 21.4.

the Companies law for a period of 12 months starting November 25 2023 and ending November 24 2024, with liability limits in the total amount of up to USD 15 million per case and another 15 million for the period, at a yearly premium of approximately USD 39 thousand (the “**2023 Policy**”).

The 2023 policy also includes a sanctions exclusion, which exempts the insurance company from the insurance obligation if the recognition of the insurance coverage, or the payment of a claim or insurance benefits in accordance with the policy terms, exposes the insurance coverage to any sanctions, prohibition or restriction (“**Sanctions**”), of any kind whatsoever, including commercial or economic sanctions, by virtue of sanctions-related decisions of the United Nations, or by virtue of laws or regulations or acts related to sanctions, of the European Union, the United Kingdom, or the United States of America.

The 2023 policy also includes entity cover for the Company itself in respect of securities claims, and a rider regarding order of payments to officers and directors. It is noted that according to the position of the Israel Securities Authority⁸, the Company’s compensation policy includes an option to approve an increase in the cost of the (annual) insurance premiums, and the deductible amount, provided that they are according to the market conditions in that year, with the cost of the premium being in an amount which should not significantly affect the Company’s profitability, assets or liabilities.

- (B) On November 8, 2020, the Company’s Board of Directors and the Company’s general meeting decided to grant letters of indemnification to Company directors and officers, serving at the Company and/or who may serve at it from time to time, and/or in companies under its control, directly and/or indirectly, and/or in subsidiaries and/or related companies, including its controlling shareholder and/or those included in it, with the text attached as Appendix B to Chapter 8 of the IPO prospectus.

Subsequently, on February 21, 2021, the General Meeting, after receiving the approval of the Company’s Board of Directors, approved the issue of a commitment to indemnify Segi Eitan, Immanuel Avner, Eli Gorovici and Amikam (Ami) Shafran.

The maximum amount of indemnification which the Company may pay to all of the directors and officers, cumulatively, will not exceed 25% of the Company’s equity, according to its last financial statements, as of the actual payment date of the

⁸ Legal Staff Position no. 101-21: compensation Policy (Best Practice) of the Securities Authority from August 2020.

indemnification, plus amounts which may be received from an insurance company, within the framework of infrastructure which the Company has obtained.

The letter of indemnity is consistent, inter alia, with the Administrative Enforcement Streamlining at the Securities Authorities Law (Legislative Amendments), 2011, and allows the Company to indemnify officers in connection with certain events connected to such enforcement proceedings.

- (C) On August 25, 2020, the Company's Board of Directors and the Company's general meeting approved the granting of a letter of release to all of the Company's officers and directors, in the standard wording. On November 8, 2020, the Company's Board of Directors and the Company's general meeting decided to grant letters of release to Company directors and officers, serving at the Company and/or who may serve at it from time to time, and/or in companies under its control, directly and/or indirectly, and/or in subsidiaries and/or related companies, including its controlling shareholder and/or those included in it, with the text attached as Appendix A to Chapter 8 of the IPO prospectus.

Subsequently, on February 21, 2021, the General Meeting, after receiving the approval of the Company's Board of Directors, approved the issue of a letter of exemption to Segi Eitan, Immanuel Avner, Eli Gorovici and Amikam (Ami) Shafran.

22. Corporate governance questionnaire

Attached as **Annex A** is the corporate governance questionnaire for 2023.

**Asher Levy, Chairman of
the Board**

Rami Reshef, CEO

Yossi Salomon, CFO

Petach Tikva, March 31, 2024

Annex A

Corporate Governance Questionnaire

In this questionnaire, please note that –

1. The questionnaire is prepared in a format whereby the response “Correct” to each question constitutes a positive indication of the existence of proper corporate governance, and vice versa. If the answer is “Correct”, mark ✓ in the relevant checkbox; if the answer is “Incorrect”, mark X. For the avoidance of doubt, it is hereby clarified that the questionnaire is not intended to provide an exhaustive description of all aspects of corporate governance which are relevant to the corporation; rather, it focuses on certain aspects only; For the purpose of receiving additional information (and as applicable), review the corporation’s routine reports;
2. The “Reporting Year” means from January 1, 2023 to December 31, 2023;
3. In case the corporation wishes to add information which may be important to a reasonable investor in connection with their responses in the questionnaire, it may do so in the form of concluding remarks to the questionnaire, with reference to the relevant question, to be marked in this way: “(*)”;

Independence of the Board of Directors			Correct	Incorrect
1.		<p>In each reporting year, two or more outside directors served in the Corporation.</p> <p><i>This question can be answered “Correct” if the time period during which two outside directors did not serve does not exceed 90 days, as specified in section 363a.(b)(10) of the Companies Law. However, in any response (Correct / Incorrect), the time period must be specified (in days) during which two or more outside directors did not serve in the Corporation during the reporting year (including also a tenure period which was approved retroactively, through separation between the various outside directors);</i></p> <p>Number of outside directors serving in the Corporation as of the publication date of this questionnaire: 2.</p>	✓	
2.	A.	Rate ¹ of independent directors ² serving in the Corporation as of the publication date of this questionnaire: 3/7.		

¹ In this questionnaire, "rate" means a certain number out of the total.

² Including “outside directors”, as defined in the Companies Law.

	B.	Rate of independent directors as determined in the Corporation's articles of association: _____ <input checked="" type="checkbox"/> N/A (No provision has been established in the articles of association).		
3.		During the reporting year, an evaluation was conducted with the during the outside directors (and the independent directors), and it was found that they fulfilled, During the reporting year, the provisions of section 240(b) and (f) of the Companies Law, regarding the absence of any connection between the outside (and independent) directors serving in the Corporation, and that all of the required conditions for tenure as an outside (or independent) director have been met.	✓	
4.		All of the directors who served in the Corporation during the reporting year <u>are not</u> subordinate ³ to the CEO, directly or indirectly (excluding a director who is a representative of employees, if an employees representation exists in the Corporation). If your answer is "Incorrect" (i.e., the director is subordinate to the CEO, as aforesaid) - specify the rate of directors who did not fulfill the aforementioned restriction: _____.	✓	
5.		All of the directors who announced the existence of their personal interest in the approval of a transaction on the agenda of the meeting were not present in the discussion, and did not participate in the aforementioned vote (excluding the discussion and/or vote in the circumstances specified in section 278(b) of the Companies Law): If your answer is "Incorrect" - Was it for the sake of their presentation of a certain issue, in accordance with the provisions at the end of section 278(a)? <input type="checkbox"/> Yes <input type="checkbox"/> No. Specify the rate of meetings in which the aforementioned directors were present in the discussion and/or participated in the vote, except in the circumstances specified in subsection A: _____.	✓	
6.		The controlling shareholder or any of his relatives (including any of his relatives and/or any other party on his behalf) who is not a director or another officer in the Corporation, was <u>not present</u> in the meetings of the Board of Directors which were held during the reporting year.	✓	

³ In respect of this question - the very fact of tenure as a director in an investee corporation which is under the control of the Company will not be considered "subordinacy", while on the other hand, the tenure of a director in the Company who serves as an officer (excluding a director) and/or an employee of an investee corporation which is held by the Corporation will be considered "subordinacy" for the purpose of this question.

	<p>If your answer is “Incorrect” (i.e., the controlling shareholder(*) and/or any of his relatives and/or any other party on his behalf who is not a Board member and/or another officer in the Corporation, was present in the aforementioned meetings of the Board of Directors) - Specify the following details in respect of the presence of the additional person in the aforementioned meetings of the Board of Directors:</p> <p>Name: _____.</p> <p>Position: _____.</p> <p>Details of the connection to the controlling shareholder(*) (if the person in attendance was not the controlling shareholder(*) himself): _____.</p> <p>Was it for the purpose of presenting a certain issue: <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><i>(Mark X in the appropriate box).</i></p> <p>Attendance rate⁴ in meetings of the Board of Directors which were held during the reporting year, for the purpose of presenting a certain issue: _____ Other attendance: _____</p> <p><input checked="" type="checkbox"/> N/A (the Corporation has no controlling shareholder(*)).</p>		
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--

⁴ Including a separation between the controlling shareholder(*), any of his relatives and/or any other party on his behalf.

Qualifications and skills of the directors			Correct	Incorrect
7.		The Corporation's articles of association do not include any provision which restricts the possibility of immediately terminating the tenure of all directors in the Corporation who are not outside directors (<i>for this purpose - a decision by ordinary majority is not considered as a restriction</i>). If your answer is "incorrect" (i.e., a restriction of this kind does exist), specify -	✓	
	A.	Period of time determined in the articles of association for a director's tenure: _____.		
	B.	The required majority which was determined in the articles of association for the conclusion of the directors' tenure: _____.		
	C.	The quorum which was determined in the articles of association in the general meeting, in order to terminate the directors' tenure: _____.		
	D.	Majority required to amend these provisions of the articles of association: _____.		
8.		The Corporation prepared a training program for new directors, in the Corporation's field of business, and in the field of law which applies to the Corporation and the directors, and has also ensured to prepare a continuing program to train serving directors, which is adapted, inter alia, to the position which the director corporation holds in the Corporation. If your answer is "Correct" - specify whether the program was implemented during the reporting year: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (Mark X in the appropriate box)	✓	
9.	A.	The Corporation has established the minimum number of directors who are required to have accounting and financial expertise. If your answer is "Correct", specify the minimum number established: 2.	✓	

	B.	Number of directors who served in the Corporation as of the Reporting Date: 7 Have accounting and financial expertise: ⁵ 5. Have professional qualifications ⁶ : 2. <i>If changes were made to the number of said directors in the reporting year, the figure including the lowest number will be given (excluding within the time period of 60 days from the occurrence of the change) of directors of any type who served during the reporting year.</i>	_____	_____
	C.	During the entire reporting year, the composition of the Board of Directors included members of both genders. If your answer is “Incorrect” – Specify the period of time (in days) during which the aforementioned condition was not fulfilled: <i>In this question, one can answer ‘Correct’ if the period of time in which directors of both genders did not serve does not exceed 60 days, but in either answer (Correct/Incorrect), note the period of time (in days) in which directors of both genders did not serve in the Corporation: _____.</i>	✓	
	D.	Number of directors of all genders serving in the Corporation’s Board of Directors as of the date of publication of this questionnaire: Men: 5, Women: 2.	_____	_____

Board of Directors meetings (and convention of general meeting)				Correct	Incorrect
10.	A.	Number of meetings of the Board of Directors which were held during each quarter of the reporting year (not including written resolutions which were passed the Company’s Board of Directors during the reporting year): First quarter: 2 Second quarter: 1. Third quarter: 3. Fourth quarter: 2	_____	_____	
	B.	Alongside the name of each director who served in the Corporation during the reporting year, specify their rate of participation ⁷ in Board of Directors meetings (in this sub-section – including meetings of Board of Directors committees in which the director was a member, as noted below) that convened during the reporting year (and in respect of the director’s term):			

⁵ Pursuant to the provisions of the Companies Regulations (Conditions and Tests for Directors with Accounting and Financial Expertise and for Directors with Professional Qualifications), 2005.

⁶ See footnote 5 above.

⁷ See footnote 1 above.

<i>(Add additional lines according to the number of directors).</i>							
Name of director	Participation rate in meetings of the Board of Directors	Participation rate in meetings of the Audit Committee (for directors who are members of this committee)	Participation rate in meetings of the Financial Statements Review Committee (for directors who are members of this committee)	Participation rate in meetings of the Compensation Committee (for directors who are members of this committee)	Participation rate in meetings of additional Board committees of which they are members (specify the committee name)		
Asher Levy	100%	N/A	N/A	N/A	100% - Strategy Committee		
Ben Zion Landa	100%	N/A	N/A	N/A	N/A		
Michal Arlozorov	100%	N/A	100%	N/A	100% - Enforcement Committee		
Eli Gorovici	100%	100%	N/A	N/A	100% - Strategy Committee 100% - Enforcement Committee		
Amikam Shafran	100%	N/A	N/A	100%	100% - Strategy Committee		
Sagi Eitan	100%	100%	75%	100%	N/A		
Emanuel Avner	100%	100%	100%	100%	100% - Strategy Committee 100% - Enforcement Committee		
11.	During the reporting year, the Board of Directors held at least one discussion on the management of the Corporation's business affairs by the CEO and his subordinate officers, in their absence, after they were given the opportunity to express their position. (**)					✓	

Separation of roles between the CEO and of the Chairman of the Board of Directors			Correct	Incorrect
12.		<p>A Chairman of the Board served in the Corporation throughout the entire reporting year.</p> <p><i>Regarding this question, one may answer 'Correct' if the period of time in which a Chairman of the Board did not serve does not exceed 60 days, as specified in section 363a.2 of the Companies Law, however, in either answer (Correct/Incorrect), specify the period of time (in days) in which a Chairman of the Board did not serve in the Corporation: _____.</i></p>	✓	
13.		<p>A Chief Executive Officer served in the Corporation throughout the entire reporting year.</p> <p><i>Regarding this question, one may answer 'Correct' if the period of time in which a CEO did not serve does not exceed 90 days, as specified in section 363a(6) of the Companies Law, however, in either answer (Correct/Incorrect), specify the period of time (in days) in which a CEO did not serve in the Corporation: _____.</i></p>	✓	
14.		<p>In a corporation in which a Chairman of the Board also serves as CEO of the Corporation, and/or wields his authorities, said dual capacity is approved according to the provisions of section 121(c) of the Companies Law.</p> <p><input checked="" type="checkbox"/> Not relevant (insofar no such dual capacity exists in the Corporation).</p>		
15.		<p>The CEO <u>is not</u> a relative of the Chairman of the Board.</p> <p>If your answer is "Incorrect" (i.e., the CEO is a relative of the Chairman of the Board) –</p>	✓	
	A.	Specify the familial relationship between the parties: _____.	_____	_____
	B.	<p>The tenure was approved according to section 121(c) of the Companies Law:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><i>(Mark X in the appropriate box)</i></p>	_____	_____
16.		<p>The controlling shareholder(*) or any of his relatives <u>does not</u> serve as CEO or as an officer in the Corporation, except as a director.</p> <p><input type="checkbox"/> N/A (the Corporation has no controlling shareholder(*)).</p>	✓	

Audit Committee			Correct	Incorrect
17.		The following persons <u>did not serve</u> on the Audit Committee during the reporting year –		
	A.	The controlling shareholder or any of his relatives. <input type="checkbox"/> N/A (the Corporation has no controlling shareholder(*)).	✓	
	B.	Chairman of the Board.	✓	
	C.	A director who is employed by the Corporation or by the controlling shareholder(*) of the Corporation, or by a corporation under his control.	✓	
	D.	A director who provides to the Corporation or to the controlling shareholder(*) of the Corporation or of a corporation under his control services on a routine basis.	✓	
	E.	A director whose livelihood is primarily dependent on the controlling shareholder(*) <input type="checkbox"/> N/A (the Corporation has no controlling shareholder(*)).	✓	
18.		Anyone who is not entitled to be a member of the Audit Committee, including the controlling shareholder(*) or any of his relatives, was not present during the reporting year at Audit Committee meetings, except in accordance with the provisions of section 115(e) of the Companies Law.	✓	
19.		The quorum required to discuss and make decisions in every meeting of the Audit Committee which took place during the reporting year was a majority of Committee members, with the majority present being independent directors, at least one of whom was an outside director. If your answer is “Incorrect” – specify the rate of meetings in which the aforementioned requirement was not fulfilled: _____.	✓	
20.		The Audit Committee held, during the reporting year, at least one meeting in the presence of the Internal Auditor and Auditor, and without the presence of officers in the Corporation who are not Committee members, in respect of deficiencies in the Corporation’s business management.	✓	
21.		All Audit Committee meetings attended by a party who is not entitled to be a Committee member were convened with the approval of the Committee Chairperson and/or at the request of the Committee (concerning the legal counsel and Corporation secretary who is not a controlling shareholder(*) or any of his relatives).	✓	

22.		In the reporting year, arrangements were in effect which were set forth by the Audit Committee in respect of the handling of complaints by employees of the Corporation, in connection with deficiencies in the management of its business affairs, and regarding the protection which will be given to employees who have complained, as stated above.	✓	
23.		The Audit Committee (and/or the Financial Statements Review Committee) is satisfactorily convinced that the Auditor's scope of work and professional fees in respect of the financial statements during the reporting year are adequate to perform satisfactory audit and review work.	✓	

Responsibilities of the Financial Statements Review Committee (hereinafter: the "Committee") in its preliminary work before the approval of the financial statements.					
				Correct	Incorrect
24.	A.	Specify the period of time (in days) established by the Board of Directors as a reasonable period for submitting the committee's recommendations in advance of the Board of Directors' discussions regarding the approval of the financial statements (annual and quarterly): 3 days .		_____	_____
	B.	Actual number of days that have passed from the date of submission of the recommendations to the Board of Directors until the date of the Board of Directors' discussion regarding the approval of the financial statements: First quarter report: N/A (***) Second quarter report: 2. Third quarter report: N/A (***) Annual report: 3 (****)		_____	_____
	C.	Number of days that have passed from the date of submission of the draft financial statements to the Board of Directors until the date of the Board of Directors' discussion regarding the approval of the financial statements: First quarter report: N/A (***) Second quarter report: 2. Third quarter report: N/A (***) Annual report: 2.		_____	_____

25.		The Auditor of the Corporation was invited to participate in all meetings of the Committee and Board of Directors, in which were discussed the financial statements of the Corporation pertaining to the periods included in the reporting year. <i>If your answer is "Incorrect", specify their participation rate: _____.</i>	✓	
26.		During the entire reporting year until the publication of the annual report, the Committee met all of the conditions listed below:		
	A.	The number of members will not be less than three (on the said date of the Committee's discussion and approval of statements).	✓	
	B.	All of the conditions prescribed in section 115(b) and (c) of the Companies Law (concerning the tenure of Audit Committee members) were fulfilled.	✓	
	C.	The Chairman of the Audit Committee is an outside director.	✓	
	D.	All of its members are directors and the majority of its members are independent directors.	✓	
	E.	All of its members have the ability to read and understand financial statements, and at least one of the independent directors has accounting and financial expertise.	✓	
	F.	The Committee members approved the appointments.	✓	
	G.	The quorum required for discussion and for the passing of resolutions in the Committee is a majority of its members, provided that the majority of those present are independent directors, including at least one outside director.	✓	
27.		If your answer is "Incorrect" concerning one or more of the subsections of this question, specify in respect of which (periodic/quarterly) report the aforementioned condition was not fulfilled, and the unfulfilled condition: _____.	_____	_____

Compensation Committee			Correct	Incorrect
28.		The committee appointed, during the reporting year, at least three members, of which the outside directors constituted a majority (on the date of the committee's discussion). <input type="checkbox"/> N/A (no discussion was held).	✓	
29.		The terms of tenure and employment of all members of the Compensation Committee in the reporting year are in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses of Outside Director) 2000.	✓	

30.	The following persons did not serve on the Compensation Committee during the reporting year –	_____	_____
A.	The controlling shareholder(*) or any of his relatives. <input type="checkbox"/> N/A (the Corporation has no controlling shareholder(*)).	✓	
B.	Chairman of the Board.	✓	
C.	A director who is employed by the Corporation or by the controlling shareholder(*) of the Corporation, or by a corporation under his control.	✓	
D.	A director who provides to the Corporation or to the controlling shareholder(*) of the Corporation or of a corporation under his control services on a routine basis.	✓	
E.	A director whose livelihood is primarily dependent on the controlling shareholder(*) <input type="checkbox"/> N/A (the Corporation has no controlling shareholder(*)).	✓	
31.	The controlling shareholder(*) or any of his relatives did not attend, during the reporting year, meetings of the Compensation Committee, save if the Committee Chairman determined that the attendance of any of them is required, for the purpose of the presentation of a certain issue.	✓	
32.	The Compensation Committee and the Board of Directors have not exercised their authority under sections 267a(c), 272(c)(3) and 272(c1)(1)(c) to approve a authorization or compensation policy, despite the objection of the general meeting. If your answer is “Incorrect”, specify: Type of transaction which was approved, as stated above: _____. Number of times when their authority was exercised during the reporting year: _____.	✓	

Internal Auditor			Correct	Incorrect
33.		The Chairman of the Board or the CEO of the Corporation is the organizational supervisor of the Internal Auditor in the Corporation.	✓	
34.		The Chairman of the Board or the Audit Committee have approved the work plan in the reporting year. Details will also be given regarding the audit subjects which the internal auditor worked on during the reporting year: See section 2.4.4 of the Board of Directors' Report, which is attached as Chapter B to the Periodic Report.	✓	
35.		Scope of Internal Auditor's employment in the Corporation during the reporting year (in hours ⁸): See section 2.4.9 of the Board of Directors' Report, which is attached as Chapter B to the Periodic Report.	_____	_____
36.		In the reporting year, a discussion was held (by the Audit Committee or the Board of Directors) regarding the Internal Auditor's findings.	✓	
37.		The Internal Auditor is not an interested party in the Corporation, nor are any of his relatives, auditors or any other party on his behalf, and there are no material business relations with the Corporation, the controlling shareholder(*), any of his relatives, or any corporations under their control.	✓	

⁸ Including work hours which were spent in investee companies and in auditing outside of Israel, as applicable.

Transactions with interested parties			Correct	Incorrect
38.	<p>The controlling shareholder(*) or any of his relatives (including a company under his control) is not employed by the Corporation or provides it with management services.</p> <p>If your answer is “Incorrect” (i.e., the controlling shareholder(*) or any of his relatives is employed by the Corporation or provides it with management services), specify –</p> <ul style="list-style-type: none"> - Number of relatives (including the controlling shareholder(*)) who are employed by the Corporation as of the Reporting Date (including companies under their control and/or through management companies). - Have the aforementioned employment and/or management service agreements been approved by the organs prescribed by law: <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>(Mark X in the appropriate box)</p> <p><input type="checkbox"/> N/A (the Corporation has no controlling shareholder(*)). _____.</p>	✓		
39.	<p>To the best of the Corporation’s knowledge, the controlling shareholder(*) does not have other businesses in the Corporation’s area of operations (in one or more areas)</p> <p>If your answer is “Incorrect” – Note whether an arrangement to delimit the activities between the Corporation and its controlling shareholder(*) was established:</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>(Mark X in the appropriate box).</p> <p><input type="checkbox"/> N/A (the Corporation has no controlling shareholder(*)).</p>	✓		

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- (*) As of the Reporting Date, the Company is a company without a control core, according to the definition of the term “control” in section 1 of the Securities Law. It is noted that on April 19, 2023, following the sale of some of his holdings in the Company, Mr. Ben Zion (Benny) Landa, who serves as a director in the Company, ceased being the Company’s controlling shareholder. For additional details, see the Company’s immediate reports dated April 20, 2023 (reference numbers 2023-01-043266 and 2023-01-043611). The above constitutes inclusion by way of reference. Therefore, the responses to the following questions, with reference to the Company’s controlling shareholder, are according to the period when he was the Company’s controlling shareholder.
- (**) On March 31, 2024, the Board of Directors held at least one discussion regarding the management of the Corporation’s business affairs by the CEO and his subordinate officers, without their presence, after which they were given the opportunity to express their positions, in connection with 2023.
- (***) On March 28, 2023, the Company announced that in light of the fact that it meets the definition of a “small corporation”, in accordance with Regulation 5C of the Securities Regulations (Periodic and Immediate Reports), 1970, starting with the Reporting Period beginning on January 1, 2023, it is adopting the expedients which are given to small corporations, including regarding the semi-annual reporting framework, in accordance with the resolution of the Company’s Board of Directors on March 27, 2023. For additional details, see the Company’s immediate report dated March 28, 2023 (reference number 2023-01-032895). The foregoing constitutes inclusion by way of reference.
- (****) It is noted that on the date of the meeting of the Company’s Board of Directors, another meeting, of the Financial Statements Review Committee, was also held.

Chairman of the Board: Asher Levy

Chairman of the Audit Committee: Sagi Eitan

Chairman of the Financial Statements Review Committee: Emanuel Avner



Chapter E - Executive Certifications

Certification of the CEO Pursuant to Regulation 9B(d)(1) of the Reports Regulations:

I, Rami Reshef, hereby certify that:

1. I have reviewed the periodic report of GenCell Ltd. (hereinafter: the “**Company**”) for 2023 (hereinafter: the “**Reports**”);
2. To the best of my knowledge, the reports do not include any incorrect representation of any material fact, and are not missing any representation of any material fact, which is required in order to ensure that the representations included therein, in light of the circumstances in which those representations were included, are not misleading with reference to the period of the reports;
3. To the best of my knowledge, the financial statements and other financial information included in the reports adequately reflect, in all material respects, the Company’s financial position, operating results and cash flows as of the dates and for the periods to which the reports refer;
4. I have disclosed to the Company’s Auditor, and to the Company’s Board of Directors, Audit Committee and Financial Statements Review Committee, any fraud, whether material or immaterial, involving the CEO or anyone directly reporting to him, or involving any other employees who have significant responsibilities regarding financial reporting, and regarding the disclosure and control thereof;

The foregoing does not derogate from my liability, or from the liability of any other person, pursuant to any applicable law.

Date: March 31, 2024

Rami Reshef, CEO



Certification of the Most Senior Officer in the Finance Department according to Regulation 9B(d)(2) of the Reports Regulations

I, Yossi Salomon, hereby certify that:

1. I have reviewed the financial statements and the other financial reports which is included in the reports of GenCell Ltd. (hereinafter: the “**Company**”) for 2023 (hereinafter: the “**Reports**”);
2. To the best of my knowledge, the financial statements and the other financial information which is included in the reports do not include any incorrect representation of any material fact, and are not missing any representation of any material fact, which is required in order to ensure that the representations included therein, in light of the circumstances in which those representations were included, are not misleading with reference to the period of the reports;
3. To the best of my knowledge, the financial statements and other financial information included in the reports adequately reflect, in all material respects, the Company’s financial position, operating results and cash flows as of the dates and for the periods to which the reports refer;
4. I have disclosed to the Company’s Auditor, and to the Company’s Board of Directors, Audit Committee and Financial Statements Review Committee, any fraud, whether material or immaterial, involving the CEO or anyone directly reporting to him, or involving any other employees who have significant responsibilities regarding financial reporting, and regarding the disclosure and control thereof;

The foregoing does not derogate from my liability, or from the liability of any other person, pursuant to any applicable law.

Date: March 31, 2024

Yossi Salomon, CFO