



# **Electreon Wireless Ltd.**

*(the "Company")*

## **Quarterly report for the three-month period ending on March 31, 2022**

*In light of the Company having the characteristics of a company engaged in research and development, and on the backdrop of the uncertainty that the development of its various products will succeed and/or will penetrate the relevant markets, in the event the technological development of the Company's products fails and/or in the event of failure to obtain the required approvals to market and sell its products from the competent regulatory authorities and/or them penetrating the relevant markets, this is liable to result in the Company losing its investment in developing its products; similarly, it should be clarified that as a company engaged in research and development, the Company is required to raise capital to finance its ongoing expenses until it is able to generate a positive cash-flow from selling its products.*

*As part of the Company's policy and in addition to the translation of immediate reports which the Company is accustomed to publishing with its reports on the Israel Securities Authority's electronic reporting system (MAGNA) and the Tel Aviv Stock Exchange reporting website (MAYA), the Company intends on publishing convenience translations into the English language of the Company's annual and quarterly reports on the Company's website: <https://www.electreon.com/annual-reports>. It should be clarified that, notwithstanding the significant efforts exerted and talents applied in producing the convenience translations, the convenience translations published by the Company are not official translations and, therefore, they do not bind the Company. In the event of inconsistency between the Hebrew language version and the English convenience translation, the Hebrew language version shall be the binding version.*



Table of Contents

- Chapter A** - *Material changes and innovations with the Corporation's business affairs*
  
- Chapter B** - *The board of directors' report on the state of the Company's affairs*
  
- Chapter C** - *Financial statements as of March 31, 2022*
  
- Chapter D** - *Report on the effectiveness of internal control on the financial reporting and disclosure*

## Chapter A

### ***Update to the description of the Corporation's business affairs in the reporting period from the conclusion of the previous annual reporting period until the publication date of the quarterly report***

*In accordance with Regulation 39A of the Israel Securities Regulations (Periodic and Immediate Reports), 1970 (the "Report Regulations"), presented below is an overview of material changes or innovations to the business affairs of the Company and its subsidiaries (jointly: the "Group") with respect to any matter which is required to be described in the Company's periodic report, commencing as of the publication date of the Company's 2021 annual report as published on March 31, 2022 (Ref. No: 2022-01-040885) (the "2021 Periodic Report") until the publication date of this report, according to the section numbering in the chapter describing the corporation's business affairs in the 2021 Periodic Report.*

*The review presented below is abbreviated, and refers to events and changes in the state of the Company's business affairs during the reporting period, whose effect is material, and it should be reviewed jointly with the financial statements and board of directors' report on the business affairs of the Company attached to the 2021 Periodic Report.*

*It should be noted that, unless explicitly stated otherwise, the terms used in this chapter shall have the meaning given to them in the chapter describing the corporation's business affairs in the 2021 Periodic Report.*

#### **1.1. Section 4 - Investments in the Company's share capital and transactions with its shares**

##### **Section 1.4.2 - Agreements involving Capital Nature Ltd. (one of the Company's controlling shareholders) to sell Company shares**

Hadassah Neurim Youth Village, Beit Yanai, 4029800 Israel

[info@electreon.com](mailto:info@electreon.com)





For more information about Capital Nature Ltd.'s execution of an amendment to the agreement with Mr. Yaron Jacobi, see the immediate report published by the Company on May 9, 2022 (Ref. No: 2022-01-055819), included in this report by way of reference.

#### Section 1.5 - Private placements

On April 27, 2022, the Company's board of directors approved an issuance of 25,500 non-marketable Company options which are exercisable into 25,500 ordinary shares with no par value, to 14 of the Company's employees pursuant to an employee (non-marketable) option issuance memorandum approved by the Company's board of directors on August 26, 2021 (the "**Memorandum**"). For more information about the Memorandum, refer to Regulation 20 in Chapter D of the 2021 Periodic Report, included in this report by way of reference.

### **1.2. Section 15.3 - Description of the development processes of the Company's products**

#### Section 15.3(1) - Extending the Company's project in Gotland, Sweden

For more information about extending the pilot demonstration project for the wireless ERS system developed by the Company on the Island of Gotland, Sweden, see the immediate report published by the Company on April 3, 2022 (Ref. No: 2022-01-035049), included in this report by way of reference.

#### Section 15.3(9) - Agreement with Electra Afikim Ltd.

For details about the Company entering into an agreement with Electra Afikim Ltd. to install a wireless charging infrastructure and for the provision of support, operating and software services for the charging infrastructure, see the immediate report published by the Company on May 15, 2022 (Ref. No: 2022-01-057976), included in this report by way of reference.

## Chapter B

The board of directors of Electreon Wireless Ltd. (the "Company") hereby submits the board of directors' report on the state of the business affairs of the Company and its subsidiaries (jointly: the "Group") as of March 31, 2022 (the "report date"), and the Company's financial results for the three-month period ended on March 31, 2022 (the "reporting period"), in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (the "Report Regulations").

### A. Board's explanations about the state of the Company's business affairs

#### 1. Company's operations and a description of the development of its business affairs

##### 1.1. General

As of the report date, the Company is engaged in developing and deploying a wireless charging technology for electric vehicles. The technology which is being developed by the Company is based on a copper coil infrastructure deployed underground which enables energy to be transferred wirelessly to vehicles, a management system located alongside the roadway or parking area, aboveground or belowground, and receivers installed on the chassis of the vehicles. The management unit transfers energy from the electricity grid to the relevant coils depending on the location of the vehicle travelling on the infrastructure or being statically charged; and enables ongoing and wireless communication with the underground infrastructure.

The technology allows three forms of charging: Static charging for vehicles which are parked or waiting at a terminal, dynamic charging for vehicles in motion and semi-dynamic charging for vehicles travelling very slowly (e.g., while at the parking bay).

Wireless charging solutions for every commercial fleet



### Dynamic charging

Charging electric vehicles in-motion, along their daily routes allows for continuous uninterrupted driving

### Semi dynamic charging

For slow-moving vehicles e.g. queuing taxis waiting for passengers, entry to logistics hubs and ports, and traffic lights

### Static Charging

Stationary charging at bus stations/terminals, bus depots, loading docks, parking lots and street parking

Transitioning to electric transportation entails many challenges, especially for companies which manage commercial vehicle fleets. The three types of charging positions being developed by the Company are intended to provide these companies with an optimal and flexible solution, which would enable them to continuously and efficiently operate, to obviate the need for physical contact with plug-in charging stations resulting in savings for overnight parking spaces and increasing the financial feasibility of transitioning to an electric vehicle fleet. The dynamic charging technology (the electric road system or "ERS") will enable a decrease in the battery size required to power electric vehicles (for vehicles driving on the electric road), increase the mileage for electric vehicles travelling on electric roads and reduce the cost and weight of the vehicles. To the Company's best knowledge, as of the report date, changing weather and other environmental conditions are not meant to have an impact on the wireless ERS being developed by the Company.

It should be clarified that in light of the Company's characteristic as a research and development company and on the backdrop of the uncertainty of the success of the Company's products and/or them penetrating the relevant market and/or the costs to develop the Company's products and/or them succeeding and/or achieving the intended targets, the Company's investment in the development of its

Hadassah Neurim Youth Village, Beit Yanai, 4029800 Israel

[info@electreon.com](mailto:info@electreon.com)

eo

products may be lost. Similarly, it should be clarified that as a company engaged in research and development, the Company is likely to be required to raise capital to finance its ongoing expenses until it is able to generate a positive cash-flow from selling its products.

1.2. Furthermore, all the assessments and estimates stated above (including with respect to completing the development of the Company's products and the results thereof), fall within the definition of forward-looking forecasts, assessments and estimates under the Israel Securities Law, 1968 (the "Securities Law"), which are based on the Company's assessments about future developments and events for which the date of their eventuation, if at all, is uncertain and not within the Company's control. These assessments may not eventuate, in whole or in part, or may eventuate differently to what has been assessed, as a result of various factors, including the failure to achieve development and/or marketing targets and/or failing to obtain the required financing and/or the manifestation of any of the risk factors described in Section 28 of the 2021 Periodic Report (the "2021 Periodic Report"), included herein by way of reference.

1.3. Status of the Company's development processes - For details about the Company's pilots, see Section 15.3 of Chapter A of the 2021 Period Report.

Similarly, for details about an extension of the Company's project in Gotland, Sweden, and about the Company entering into an agreement with Electra Afikim Ltd. for the installation of a wireless charging infrastructure and for the provision of support, operating and software services for the charging infrastructure, see Section 1.2 of Chapter A of this report above.

1.4. Spread of COVID-19 - In accordance with the Israel Securities Authority's positions published on March 8, 2020 and May 11, 2020, the Company discloses that as of the publication date of the report, the Group's activities and financial fortitude were not materially harmed by COVID-19 and the

Company's research and development activities are continuing uninterrupted. For more information, see Section 7.9 of Chapter A of the 2021 Periodic Report, included in this report by way of reference.

For more information about the Company, its activities and a description of the development of its business affairs during the reporting period, see Chapter A of the 2021 Periodic Report, included in this report by way of reference, and Chapter A to this report - Description of the Company's business affairs.

## 2 Company's financial position

Line-item	March 31		December 31	Explanations given by the board of directors
	2022	2021	2021	
	ILS 000's			
<b>Assets</b>				
Cash and cash equivalents	135,954	25,190	124,412	The increase as of March 31, 2022, relative to March 31, 2021, is primarily attributable to an ILS-denominated deposit with a banking corporation being redeemed to a checking account and exercise of options. For more information, also see Note 4D to the Company's consolidated condensed financial statements as of March 31, 2021.
Deposits	300	135,476	300	The decrease as of March 31, 2022, relative to March 31, 2021, is attributable to the redemption of an ILS-denominated deposit with a banking corporation, as described above.
Accounts receivable and credit balances	10,210	6,207	7,882	The increase as of March 31, 2022, relative to March 31, 2021, is primarily attributable to short-term advance expenses for the Dan project.

Assets for customer contracts	9,154	-	7,548	The increase as of March 31, 2022, relative to March 31, 2021, is attributable to preliminary building up of equipment in wake of the projects in Germany and Italy.
Pledged deposit	77	45	76	The increase as of March 31, 2022, relative to March 31, 2021, is primarily attributable to a new deposit made for a banking credit card.
Fixed assets (property, plant and equipment)	8,423	7,526	8,488	The increase as of March 31, 2022, relative to March 31, 2021, is primarily attributable to leasehold improvements to the Company's facility in Israel, less ongoing depreciation expenses.
Long-term advance expenditures	29,593	430	29,138	The increase as of March 31, 2022, relative to March 31, 2021, is primarily attributable to preliminary building up of equipment in wake of the projects in the USA, the Dan project and additional projects.
Right of use assets	2,074	899	1,487	The increase as of March 31, 2022, relative to March 31, 2021, is attributable to new lease contracts for the Company's Israeli facility and for the Swedish and German subsidiaries, in accordance with IFRS 16.
<b>Total Assets</b>	<b>195,785</b>	<b>175,773</b>	<b>179,331</b>	
<b>Liabilities and Equity</b>				
Accounts payable, debit balances and suppliers	13,882	12,292	11,989	An immaterial change.

Lease liabilities	1,037	726	816	The increase as of March 31, 2022, relative to March 31, 2021, is attributable to new lease contracts for the Company's Israeli facility and for the Swedish and German subsidiaries, in accordance with IFRS 16.
<b>Total Liabilities</b>	<b>14,919</b>	<b>13,018</b>	<b>12,805</b>	
<b>Total Equity</b>	<b>180,866</b>	<b>162,755</b>	<b>166,526</b>	

## 2. Operating Results

In addition to the above data and that presented in the Company's consolidated condensed financial statements as of March 31, 2022, the Company chose to make an adjustment to comprehensive loss as presented in the table below by neutralizing the accounting impact of IFRS 2 for share-based payment expenses:

Line - item	Three-month period ending on March 31		For the year ended December 31	Company's explanations
	2022	2021	2021	
	ILS 000's			
<b>Loss for the period</b>	<b>17,364</b>	<b>9,719</b>	<b>57,546</b>	
Adjustments for implementing IFRS 2	3,786	1,499	17,597	For share-based payments
<b>Adjusted loss for the period</b>	<b>13,578</b>	<b>8,220</b>	<b>39,949</b>	

### 3. Cash-flow

	Three-month period ending on March 31		Year ended December 31	Explanations given by the board of directors
	2022	2021	2021	
	ILS 000's			
Cash flows for operating activities	(15,819)	(9,771)	(55,806)	The increase in cash flows utilized for operating activities in the three-month period ended as of March 31, 2022, relative to the same period last year, is primarily attributable to the continued development and preliminary building of equipment in wake of projects in Israel.
Cash flows from (for) investment activities	(705)	(892)	134,920	An immaterial change in the three-month period ended as of March 31, 2022, relative to the same period last year.
Cash flows from financing activities	27,880	683	9,081	The increase in cash flows from financing activities in the three-month period ended as of March 31, 2022, relative to the same period last year, is primarily attributable to the exercise of options. For additional details, see Section 5.2 below.
<b>Increase (decrease) in cash and cash equivalents</b>	<b>11,356</b>	<b>(9,980)</b>	<b>88,195</b>	

## 4. Sources of financing

As of the report date, the Group's primary sources of financing are government grants and capital raisings.

### 1.1 Capital issuances

As of the report date, the Group's sources of financing are government grants and capital raisings. For more information about capital raisings performed by the Company, see Section 1.5 of Chapter A of the 2021 Periodic Report, included in this report by way of reference.

### 1.2 Exercise of options

During the reporting period 130,275 non-marketable options (including employee exercises) and 96,018 options (Series 2) were exercised into Company shares, in a total scope of ILS 27,759 thousands.

### 1.3 Governmental and other grants

For details about government grants, see Sections 16.7-16.9 of Chapter A of the 2021 Periodic Report, included in this report by way of reference.

## 3 Aspects of corporate governance

### 5. Directors with accounting and financial expertise

The minimum number of directors with accounting and financial expertise appropriate for the Company, as determined by the Company's board of directors pursuant to Section 92(a)(12) of the Companies Law, 1999 (the "Companies Law"), is one director. This determination was made based on the nature of the accounting and auditing issues which arise in preparing the Company's financial statements, the Company's operating segments, the size of the Company and the scope and complexity of its operations, and while considering the composition of the Company's board of directors, whose members have considerable commercial, managerial and professional experience. There are currently four directors with accounting and financial

Hadassah Neurim Youth Village, Beit Yanai, 4029800 Israel

[info@electreon.com](mailto:info@electreon.com)

eo

expertise serving on the Company's board of directors: Ms. Ronit Noam, external director; Ms. Rachel Ben-Nun, independent director; Mr. Joseph Tenne, external director and Mr. Moshe Kaplinsky, director. For more information about these directors refer to Regulation 26 in Chapter D to the 2021 Periodic Report.

## 18. Extraordinary general meeting resolutions

On May 19, 2022, the Company's extraordinary general meeting approved the following resolutions:

- 1) Approving the award of a bonus for the 2021 year to Mr. Oren Ezer, CEO of the Company and one of its controlling shareholders;
- 2) Approving the award of a bonus for the 2021 year to Mr. Hanan Rumbak, the Company's Chief Scientist and one of its controlling shareholders.

For more information, see the immediate report published by the Company on May 21, 2022 (Ref. No: 2022-01-061351), included in this report by way of reference.

## 4 Disclosure on financial reporting

### 19. Material events following the date of the report on the financial position

For details about events following the report date, see Note 4 to the Company's consolidated condensed financial statements as of March 31, 2022.

Date: May 30, 2022

---

**Barak Duani**

**CFO**

---

**Oren Ezer**

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