

**ERECH FINANCE CAHALAHA LTD**

**Consolidated Financial Statements as at June 30, 2021**  
**(Unaudited)**

**This is a convenience translation of the Company's condensed consolidated financial statements as at June 30, 2021 and for the period of six months ended on that date. In any case in which there is a discrepancy between this translation and the Hebrew original, the Hebrew original shall prevail.**

**Erech Finance Cahalaha Ltd.**

**Financial Statements as at June 30, 2021**  
**(Unaudited)**

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**ERECH FINANCE CAHALAHA LTD**  
**Condensed Consolidated Statements of Financial Position**

		As at June 30		As at December 31
		2021	2020	2020
		Unaudited		Audited
	Note	NIS thousands		
Assets				
Current assets:				
Cash and cash equivalents		1,890	2,068	1,397
Restricted deposits		4,604	3,602	5,603
Credit to customers, net		54,393	38,204	42,725
Other receivables		272	365	574
Financial assets at fair value through profit or loss		9,978	675	5,883
		71,137	44,914	56,182
Non-current assets:				
Credit to customers, net		6,747	5,245	8,649
Other investment	5F	2,895	1,000	2,261
Fixed assets		35	72	49
Other assets		696	6,674	696
Restricted deposit		2,512	2,467	2,490
Other receivables		2,538	-	2,195
Deferred taxes		864	794	751
		16,287	16,252	17,091
Total assets		87,424	61,166	73,273
Liabilities and equity				
Current liabilities:				
Credit from banking corporations		23,742	17,697	23,684
Credit from related parties and others		16,125	14,166	13,175
Bonds convertible into shares	5H	-	10,474	4,245
Other payables		1,305	1,166	1,083
Income Tax payable		742	393	704
		41,914	43,896	42,891
Non-current liabilities:				
Liability for royalties to the Innovation Authority		95	140	158
Other payables		178	-	153
		273	140	311
Total liabilities		42,187	44,036	43,202
Equity:				
Share capital, share premium, options and capital reserves		52,219	31,507	43,342
Accumulated losses		(6,537)	(13,954)	(12,837)
Total equity attributed to shareholders in the Company		45,682	17,553	30,505
Non-controlling interests		(445)	(423)	(434)
Total equity		45,237	17,130	30,071
Total liabilities and equity		87,424	61,166	73,273

**Naor Eliyahu**  
**Chairman of the Board of Directors**

**Yossi Wasserman**  
**Chief Executive Officer**

**David Gerbi**  
**Chief Financial Officer**

Date of the approval of the financial statements by the Company's Board of Directors: August 26, 2021.

**The attached notes form an integral part of these condensed consolidated financial statements.**

**ERECH FINANCE CAHALAHA LTD**  
**Condensed Consolidated Statements of Comprehensive Income**

	Note	For the period of six months ended June30		For the year ended December 31
		2021	2020	2020
		Unaudited		Audited
		NIS thousands		
Revenues from the provision of credit to customers		5,975	4,673	10,070
Cost of the provision of credit to customers		1,242	1,155	2,285
<b>Income from the provision of credit to customers, net</b>		<u>4,733</u>	<u>3,518</u>	<u>7,785</u>
Expenses in respect of doubtful debts		686	1,217	1,375
<b>Income from the provision of credit to customers, net, less expenses in respect of doubtful debts</b>		<u>4,047</u>	<u>2,301</u>	<u>6,410</u>
Research and development expenses		24	182	558
Administrative and general expenses		2,684	2,663	5,480
Other expenses (income)		(34)	433	(154)
		<u>2,674</u>	<u>3,278</u>	<u>5,884</u>
<b>Operating income (loss)</b>		1,373	(977)	526
Financing income, net	4	<u>5,797</u>	<u>1,423</u>	<u>1,740</u>
<b>Income before taxes on income</b>		7,170	446	2,266
Taxes on income		(930)	(276)	(1,043)
<b>Comprehensive income for the period</b>		<u>6,240</u>	<u>170</u>	<u>1,223</u>
<b>Comprehensive income (loss) attributed to:</b>				
The shareholders in the Company		6,300	228	1,345
Non-controlling interests		(60)	(58)	(122)
		<u>6,240</u>	<u>170</u>	<u>1,223</u>
Earnings per share attributed to shareholders in the Company:				
Basic earnings per share (in NIS)		<u>2.90</u>	<u>0.13</u>	<u>0.74</u>
Diluted earnings per share (in NIS)		<u>2.14</u>	<u>0.09</u>	<u>0.47</u>

**The attached notes form an integral part of these condensed consolidated financial statements.**

**ERECH FINANCE CAHALAHA LTD**  
**Statements of Changes in Equity**

	Share capital	Capital reserve on share based payment	Capital reserve on transactions with a controlling interest	Capital reserve on transactions with non-controlling interests	Option warrants	Share premium	Retained earnings (accumulated losses)	Total	Non-controlling interests	Total
	NIS thousands									
<b>Balance as at January 1, 2021</b>	1,829	2,890	1,331	(116)	4,435	32,973	(12,837)	30,505	(434)	30,071
<b>Movements in the period of six months ended June 30, 2021</b> (unaudited)										
Transactions with controlling interests	-	-	(3)	-	-	-	-	(3)	49	46
Exercise of option warrants, net	-	(1,026)	-	-	(322)	3,623	-	2,275	-	2,275
Conversion of bond	-	-	-	-	(1,417)	7,443	-	6,026	-	6,026
Granting of options to service providers	-	579	-	-	-	-	-	579	-	579
Comprehensive income (loss) for the period	-	-	-	-	-	-	6,300	6,300	(60)	6,240
<b>Balance as at June 30, 2021</b>	<u>1,829</u>	<u>2,443</u>	<u>1,328</u>	<u>(116)</u>	<u>2,696</u>	<u>44,039</u>	<u>(6,537)</u>	<u>45,682</u>	<u>(445)</u>	<u>45,237</u>
<b>Balance as at January 1, 2020</b>	1,829	502	1,298	(116)	1,386	21,456	(14,182)	12,173	(411)	11,762
<b>Movements in the period of six months ended June 30, 2020</b> (unaudited)										
Transactions with controlling interests	-	-	29	-	-	-	-	29	46	75
Exercise of option warrants, net	-	-	-	-	(218)	3,884	-	3,666	-	3,666
Granting of options to service providers	-	1,457	-	-	-	-	-	1,457	-	1,457
Comprehensive income (loss) for the period	-	-	-	-	-	-	228	228	(58)	170
<b>Balance as at June 30, 2020</b>	<u>1,829</u>	<u>1,959</u>	<u>1,327</u>	<u>(116)</u>	<u>1,168</u>	<u>25,340</u>	<u>(13,954)</u>	<u>17,553</u>	<u>(423)</u>	<u>17,130</u>

The attached notes form an integral part of these condensed consolidated financial statements.

**ERECH FINANCE CAHALAHA LTD**  
**Statements of Changes in Equity**

	Share capital	Capital reserve on share based payment	Capital reserve on transactions with a controlling interest	Capital reserve on transactions with non- controlling interests	Option warrants	Share premium	Retained earnings (accumulated losses)	Total	Non- controlling interests	Total
	NIS thousands									
<b>Balance as at December 31, 2019</b>	1,829	502	1,298	(116)	1,386	21,456	(14,182)	12,173	(411)	11,762
<b>Movements in the year ended December 31, 2020:</b>										
Transactions with a controlling interest	-	-	33	-	-	-	-	33	99	132
Issuance of shares and option warrants	-	-	-	-	1,850	7,436	-	9,286	-	9,286
Exercise and expiry of options, net	-	(198)	-	-	(218)	4,081	-	3,665	-	3,665
Capital component of convertible bonds	-	-	-	-	1,417	-	-	1,417	-	1,417
Granting of options for service providers	-	2,586	-	-	-	-	-	2,586	-	2,586
Comprehensive income for the period	-	-	-	-	-	-	1,345	1,345	(122)	1,223
<b>Balance as at December 31, 2020</b>	<u>1,829</u>	<u>2,890</u>	<u>1,331</u>	<u>(116)</u>	<u>4,435</u>	<u>32,973</u>	<u>(12,837)</u>	<u>30,505</u>	<u>(434)</u>	<u>30,071</u>

The attached notes form an integral part of these condensed consolidated financial statements.

**ERECH FINANCE CAHALAHA LTD**  
**Consolidated Statements of Cash Flows**

	For the period of six months ended June30		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	NIS thousands		
<b>Cash flows from operating activities:</b>			
Net income for the period	6,240	170	1,223
<b>Adjustments for revenues and expenses not involving cash flows</b>			
Change in deferred taxes	(113)	(344)	(301)
Capital gain on the disposal of other assets	-	-	(1,463)
Change in the fair value of a marketable investment	(4,852)	-	(1,502)
Change in the fair value of another investment	(34)	-	(261)
Change in liability for grants received from the Innovation Authority	32	70	(51)
Movement in the share based payment reserve	579	1,457	2,586
Impairment in value of intangible assets	-	433	1,668
Transactions with controlling interests	(3)	29	33
Depreciation expenses	16	11	38
Transactions with non-controlling interests recognized opposite a capital reserve	49	46	99
	(4,326)	1,702	846
<b>Changes in assets and liability items:</b>			
Decrease (increase) in credit to customers, net (including long-term)	(9,766)	3,415	(4,510)
Decrease (increase) in financial asset at fair value though profit or loss, net	874	(466)	(683)
Decrease (increase) in other receivables	(538)	589	880
Increase in credit from banking corporations	58	1,410	7,397
Decrease in credit from others	5,409	(4,395)	(5,955)
Decrease in credit from related parties	(2,463)	(581)	(14)
Increase (decrease) in income tax payable, net	37	(138)	173
Decrease in other payables	152	(69)	(336)
Change in restricted deposit	977	(2,022)	(4,046)
Change in bond convertible into shares	18	(1,714)	(1,766)
	(5,242)	(3,971)	(8,860)
<b>Net cash absorbed by operating activities</b>	(3,328)	(2,099)	(6,791)
<b>Cash flows from investment activities:</b>			
Purchase of marketable securities	(117)	-	-
Investment in fixed assets	-	-	(4)
Consideration from the disposal of intangible assets	500	-	500
Other investment	(600)	(1,000)	(2,000)
<b>Net cash absorbed by investment activities</b>	(217)	(1,000)	(1,504)
<b>Cash flows from financing activities:</b>			
Issuance of shares and option warrants	1,763	-	4,525
Exercise of option warrants, net	2,275	3,666	3,666
<b>Net cash generated by financing activities</b>	4,038	3,666	8,191
<b>Increase (decrease) in cash and cash equivalents</b>	493	567	(104)
<b>Cash and cash equivalents at the beginning of the period</b>	1,397	1,501	1,501
<b>Cash and cash equivalents at the end of the period</b>	1,890	2,068	1,397

The attached notes form an integral part of these condensed consolidated financial statements.

**ERECH FINANCE CAHALAHA LTD**  
**Consolidated Statements of Cash Flows (Continued)**

	For the period of six months ended June 30		For the year ended December 31
	2021	2020	2021
	Unaudited		Audited
	NIS thousands		
<b><u>Appendix A – Additional information on cash flows</u></b>			
Interest paid	(964)	(910)	(1,471)
Interest received	3,483	3,703	5,649
Taxes paid	954	425	1,181
<b><u>Appendix B – Additional information on non-cash activity</u></b>			
Conversion of bond into capital	4,263	-	6,177

The attached notes form an integral part of these condensed consolidated financial statements.



**ERECH FINANCE CAHALAHA LTD**  
**Notes to the Condensed Consolidated Financial Statements**

**Note 1 - General**

- A. Erech Finance Cahalaha Ltd. (hereinafter: "The Company") was incorporated in Israel in February 2007 and its shares were listed for trading on the Tel-Aviv Stock Exchange in August 2010 and its registered address is 5 Ya'acov Eliav Street in Jerusalem.
- B. The Company is engaged in the field of the provision of non-banking credit within the framework of loans and credit facilities against deferred receivables for small and medium sized enterprises, associations and individual borrowers, through Erich Loans Cahalaha Ltd. The Company and Erech Loans Cahalaha Ltd. have an expanded license, which has been issued by the Commissioner of the Capital Market, Insurance and Savings and which is valid until December 31, 2021.
- C. In addition, the Company is engaged in the research, development, production and marketing of products for stabilizing and improving conditions in the injection site. The Company has commenced its operations in the field of "Insulin for meal-times", which is given to diabetics and it is continuing the research and development of long-term insulin technology.

In addition, the Company is also engaged in promoting Injection Site Treatment & Stabilization Technology (ISTS) for improving the effectiveness of other drugs, which are given subcutaneously.

- D. These condensed consolidated financial statements should be reviewed in connection with the Company's annual financial statements as at December 31, 2020 and for the year ended on that date (hereinafter: the annual financial statements) and the accompanying notes thereto.
- E. As at June 20, 2021, the Company has a commitment to comply with financial covenants in connection with credit that has been received from banking corporations and others. The Company is in compliance with those financial covenants.
- F. **The impact of the outbreak of the Coronavirus**

The outbreak of the Coronavirus in Israel and globally at the beginning of 2020 have has significant economic implications. Many countries, including the State of Israel have taken drastic steps in an attempt to prevent the spread of the virus, which have had a significant impact on the economy in Israel, with the actions that have been taken having included the closure of places of work and the reduction of activity in the economy.

In light of the closing of the economy in the Corona period, the Company has taken a number of direct courses of action, which was done after it had examined the possible implications on the operations, on the one hand the Company took immediate action in order to reduce the quantity of the credit in a self-initiated manner, and in parallel it increased the interest margins, all of which was done in order to reduce risks.

The demand for credit has remained stable and has even increased, however there has been a certain level of increase in requests from drawers and customers to extend the timing of the settlement of their commitments, where the Company has taken action in certain cases, whilst exercising judgment, reviewing each case thoroughly, in order to extend and to provide relief for the drawers and the customers in relation to their repayments.

These actions have enabled the Company's customers to meet their commitments towards it during this period, and also to hedge risks. There was a marked decrease in the morbidity rates in Israel in the reporting period as a result of vaccinations being provided for the entire adult population of the state of Israel, most of the restrictions, which had been imposed, have been removed and the economy has begun to recover, which has also been apparent among the Company's customers.

After the reporting date, there has been an increase in the morbidity rates in Israel and consideration is being given to imposing new restrictions on the economy. As of the time of the publication of the report, the renewed outbreak of the Coronavirus has not had a significant and direct impact on the Company's operations. However, the Company's management is unable to assess and quantify the impact of the continuation of the renewed outbreak of the virus on the future results and on its business operations.

**ERECH FINANCE CAHALAHA LTD**  
**Notes to the Condensed Consolidated Financial Statements**

**Note 1 - General (Continued)**

**G. Definitions**

The Group	-	Erech Finance Cahalaha Ltd. and its consolidated company.
Subsidiary companies	-	Insuline GmbH, Erech Loans Cahalaha Ltd., K.M.B.Y. Ltd. and Pancrea Tech Ltd.
Interested parties and controlling interests	-	As defined in the Securities Regulations (Annual Financial Statements) – 2010.
Related parties	-	As defined in International Accounting Standard 24 –Related Party Disclosures (hereinafter – IAS 24).

**Note 2 - Principal accounting policies**

**A. The basis for the preparation of the condensed consolidated financial statements**

The Group's condensed consolidated financial information as at June 20, 2021 (hereinafter: "The financial information for the interim period") has been prepared in conformity with International Accounting Standard Number 34 "Financial Reporting for Interim Periods" (hereinafter: "IAS 34"), and includes the additional disclosure that is required pursuant to Part D of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970. The financial information for the interim period does not include all of the information and the disclosures that are required within the framework of the annual financial statements. The financial statements for the interim period should be read together with the annual financial statements for the year 2020 and the accompanying notes thereto, which conform with the International Financial Reporting Standards, which are standards and interpretations, which have been published by the International Accounting Standards Board (hereinafter: "The IFRS standards), and they include the additional disclosures that is required pursuant to the Securities Regulations (Annual Financial Statements), 5770 – 2010.

**B. Estimates**

The preparation of the interim financial statements requires the Company's management to exercise judgment and it also required the use of accounting estimates and the assumption of assumptions, which affect the implementation of the Company's accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The actual results may be different from those estimates.

The significant judgments in the preparation of these interim financial statements, which have been exercised by the management in the implementation of the Company's accounting policies and the uncertainties that are inherent in the key sources for the estimates were identical to those in the Company's annual financial statements as at December 31, 2020.

**C. The initial implementation of new standards, revisions to standards and interpretations**

The Group's accounting policies in the Group's condensed consolidated financial information as at June 30, 2021 are the accounting policies that were implemented in the annual financial statements.

**ERECH FINANCE CAHALAHA LTD**  
**Notes to the Condensed Consolidated Financial Statements**

**Note 3 - Segments**

**A. General**

The Company presents the operating segments in accordance with the provisions of IFRS 8.

The reportable operating segments are: non-banking credit and Biomed – the development of drugs. The segmental income is the operating income that each segment produces. The allocation of operating costs between the segments is done in accordance with keys that have been formulated by the Company in relation to the types of costs. The amounts that are presented in relation to segmental assets are measured consistently to the manner of their measurement in the financial statements. These assets are allocated to segments based on the segmental activity and the physical location of the assets. All of the Company's operating assets are located in Israel and its business activity is conducted in Israel.

**B. Segmental information in respect of the reported segments:**

	<b>Non-banking credit</b>	<b>Biomed</b>	<b>Total</b>
	<b>NIS thousands</b>		
<b>For the year period of six months ended June 30, 2021 (unaudited):</b>			
Segmental revenues	5,975	-	5,975
Segmental income (loss)	2,068	(695)	1,373
<b>For the year period of six months ended June 30, 2020 (unaudited):</b>			
Segmental revenues	4,673	-	4,673
Segmental income (loss)	1,055	(2,032)	(977)
<b>For the year ended December 31, 2020 (audited):</b>			
Segmental revenues	10,070	-	10,070
Segmental income (loss)	3,931	(3,405)	526

**C. Segmental information in respect of the reported segments:**

	<b>For the period of six months ended June 30</b>		<b>For the year ended December 31</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>NIS thousands</b>		
Segmental income (loss) as above	1,373	(977)	526
Financing expenses, net	5,797	1,423	1,740
Income before taxes on income	7,170	446	2,266

**ERECH FINANCE CAHALAHA LTD**  
**Notes to the Condensed Consolidated Financial Statements**

**Note 3 - Segments (Continued)**

**D. Information on segmental assets and liabilities:**

	<b>Non-banking credit</b>	<b>Biomed</b>	<b>Total</b>
	<b>NIS thousands</b>		
<b>As at June 30, 2021 (Unaudited):</b>			
Total assets	73,533	13,891	87,424
Total liabilities	40,682	1,505	42,187
<b>As at June 30, 2020 (Unaudited):</b>			
Total assets	54,065	7,101	61,166
Total liabilities	42,468	1,568	44,036
<b>As at December 31, 2020 (Audited):</b>			
Total assets	64,995	8,778	73,273
Total liabilities	41,391	1,811	43,202

**E. Revenues from the provision of credit to customers:**

**1. Balances**

	<b>As at June 30</b>	<b>As at December 31</b>
	<b>2021</b>	<b>2020</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>NIS thousands</b>	
Customer A – related party	-	4,493
Customer B	-	5,035

**2. Revenues from the provision of credit to customers**

	<b>For the period of six months ended June 30</b>	<b>For the year ended December 31</b>
	<b>2021</b>	<b>2020</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>NIS thousands</b>	
Customer A – related party	-	258
Customer B	-	419
Customer C	-	531

**ERECH FINANCE CAHALAHA LTD**  
**Notes to the Condensed Consolidated Financial Statements**

**Note 4 - Financing income, net**

	For the period of six months ended June 30		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	NIS thousands		
Other financing (income) expenses	(1,007)	221	18
Revaluation of liability for royalties to the Innovation Authority	32	70	(51)
Revaluation of marketable securities (1)	(4,840)	-	(1,459)
Revaluation of bond convertible into shares	18	(1,714)	(248)
<b>Total</b>	<b>(5,797)</b>	<b>(1,423)</b>	<b>(1,740)</b>

(1) See Note 5A below.

**Note 5 – Events in the reporting period and thereafter**

A. Further to what is stated in Note 7B to the annual financial statements and following an evaluation, which the Company has received for the value of the options and its rights to receive future profits less a liability at the rate of 7%, the Company has recorded a revaluation gain of NIS 4,840 thousand in the reporting period.

B. See Note 27A to the annual financial statements regarding the Company's commitment for the establishment of companies for making non-banking finance available to traders on electronic trading websites (E-Commerce).

On January 31, 2021, the Company's subsidiary company, Erech Loans Cahalaha Ltd. ("The subsidiary company") signed on an agreement for the receipt of a credit facility from a financial body that is not related to the Company, in an amount of NIS 10 million ("The credit facility"), which will be used by the subsidiary company for the expansion of its operations in the non-banking financing field. The credit facility will bear interest that does not exceed the interest rates that are customary in this market at present and the amount of the interest will not be linked to any index or currency whatsoever. The Company has made collateral available in support of the financing body as is customary in similar agreements, which include, inter alia, personal guarantees by the controlling interests in support of the Company, without their being entitled to receive any consideration of any type whatsoever from the Company.

C. Pursuant to the said agreement, the customers' debts are endorsed, other than by way of a final and absolute endorsement, such that the Company has not transferred all of the risks and the benefits deriving from the ownership of the debts that have been endorsed. Accordingly, the customers' debts are not derecognized and are recognized as current financial liabilities at the level of the cash that has been received for them. As of June 30, 2021, the said liability is recorded under credit from related parties and others.

D. Further to what is stated in Note 17 to the annual financial statements, at the beginning of 2021 and up to June 27, 2021 (the day on which the options expired) 1,283 option warrants (Series 9) were exercised against the allocation of 1,283 regular shares. As a result of the exercise of the options, the Company's equity increased by NIS 103 thousand. The balance of the options, which had not been exercised (88,569 options) expired on June 27, 2021.

**ERECH FINANCE CAHALAHA LTD**  
**Notes to the Condensed Consolidated Financial Statements**

**Note 5 – Events in the reporting period and thereafter (Continued)**

- E. On March 15, 2021, the general meeting approved the controlling interests' terms of employment. It was proposed in the meeting that the terms of office and of employment of the controlling interests in the company, who serve as Chairman of the Company's Board of Directors and as the Company's CEO and director and as Chief Operating Officer and director for a period of three years, commencing on February 15, 2021 (the end of the controlling interests' previous period of office), be approved. The controlling interests will be entitled to monthly consideration for services (together) in an amount of NIS 200 thousand with the addition of VAT, as required by law, which will be payable, at the controlling interests' election by means of (a) a company that is jointly owned by them; or (b) to a company that is owned by each of the controlling interests, such that each of the controlling interests will be entitled to a monthly payment of NIS 66,666 with the addition of VAT, as required by law.
- F. Further to what is stated in Note 10 to the annual financial statements, Up Capital completed the second and final milestone under the agreement that was signed between it and a consolidated company and it is entitled to an additional loan of NIS 1 million (giving an overall amount of NIS 3 million). As of the time of the statement of financial position, the Company has transferred an overall NIS 2.6 million (NIS 600 thousand of which were transferred during the reporting period). On June 10, 2021, Up Capital's representatives updated that Company that a memorandum of understanding had been signed between Up Capital and two purchasers, for the purchase of up to 20% of Up Capital's share capital for consideration of up to NIS 20 million (hereinafter: "The memorandum of understanding"). The memorandum of understanding was to be in effect until July 9, 2021 and within its framework, the parties would complete the processes involved in the signing of a binding agreement and the approval thereof by the bodies of the institutions that are required. In July 2021, Up Capital updated the Company that the parties are continuing to conduct negotiations regarding an investment agreement and that an additional party had joined who is interests in making an investment and negotiations on the principals that are described above, are also being conducted with that party.
- G. Further to what is stated in Note 13 to the annual financial statements, the banking corporation's approval for the increasing of the consolidated company's credit facility to an amount of NIS 20 million was received on May 19, 2021. In addition to the expansion of the credit facility, the banking corporation approved the reduction of the financial covenants, which the subsidiary company's is required to comply with. The rest of the terms of the agreement remain in effect and no change has been made in them.
- H. Further to what is stated in Note 15 to the annual financial statements, on May 26, 2021, I.B.I. Investment House Ltd. (hereinafter: "I.B.I.") converted 134,688 options warrants for an additional payment of NIS 44.74 for the exercise for each option warrant, such that the payment for the exercise of such option warrants was executed by means of the conversion of the principal of a bond of the Company vis-à-vis I.B.I. (with the addition of the interest that has accumulated up to the time of the conversion) and the balance in an amount of NIS 1,762,861 was transferred to the Company's bank account in cash. On August 17, 2021, I.B.I. exercised 267,604 options into 267,604 shares for consideration of NIS 46.71 per share, and an overall amount of NIS 12.5 million, which was transferred to the Company in cash. Immediately after the exercise of the option warrants by I.B.I, I.B.I. holds 21.56% of the Company's capital.
- I. On June 17, 2021, two institutional bodies in Israel, made separate acquisitions from the controlling interests in the Company, Mr. Yosef Wasserman and Mr. Naor Eliyahu, in a cumulative number of 135,975 shares in the Company at a price pf NIS 76.5 per share, representing an overall amount of approximately NIS 10.4 million. The said shares constitute approximately 6.01% of the Company's undiluted issued and paid-up share capital and approximately 4.42% of the Company's issued and paid-up share capital at full dilution.

**ERECH FINANCE CAHALAHA LTD**  
**Notes to the Condensed Consolidated Financial Statements**

**Note 5 – Events in the reporting period and thereafter (Continued)**

- J. On August 16, 2021, the Company and its consolidated company signed on an agreement for the receipt of a credit facility (which is not renewable) (hereinafter – "The credit agreement") in an amount of up to NIS 50 million with More Provident Funds Ltd. (hereinafter: "The lender") for the purpose of expanding the extent of the Company's and the subsidiary company's operations in the following fields: the discounting of deferred checks, loans, factoring and reverse factoring. The credit facility will be in effect from the time of the signing of the credit agreement and until 6 months from the day on which it is signed and the full amount of the credit and the ancillary payments in respect of it will be settled within 24 months from the time of the signing, as set forth in the agreement. The balance of the credit that has been utilized will bear interest at a fixed rate, not exceeding what is generally acceptable in agreements of this sort, and this subject to additional interest in the event of certain breaches on the companies' part, which have been determined between the parties, and include inter alia: (a) a minimal threshold for tangible shareholders' equity; (b) a tangible shareholders' equity to total assets ratio; (c) a debt – collateral ratio; (d) the value of the deposit of the deposited shares; (e) the spread of the credit portfolio; (f) the mix in the discounting portfolio and the loans that are financed from the said credit facility. Furthermore, arrears interest has been set for unpaid amounts and commissions, including for the unutilized credit facility

Within the framework of the said agreement, the Company has allocated 12,735 option warrants for the purchase of 12,735 regular shares in the Company, without a par value, which are exercisable against a cash payment of the exercise price of 6,932.5 agorot, such that each of the option warrants will be exercisable in a period of 24 months. The value of the option warrants is estimated at approximately NIS 250 thousand, in accordance with the Black and Scholes model.

In the event that the lender exercises all of the option warrants that it holds after the said allocation without other convertible securities in the Company being converted into shares, it is expected to hold shares in the Company at a rate of approximately 4.95% of the Company's issued and paid-up share capital (approximately 3.94% at full dilution). The allocation of the option warrants is subject to the approval of the Tel-Aviv Stock Exchange Ltd. for the listing of the shares deriving from the exercise of the option warrants for trading. As of the time of the approval of the financial statements, the Stock Exchange's approval has not been received yet.

The controlling interests have charged some of their shares in the Company in respect of the agreement, under a first ranking lien and an endorsement by way of a charge in an unlimited amount including the assets and rights that are ancillary thereto. In addition, they have charged rights in the company and in the bank accounts, which are set forth in the said agreement, and the rights deriving therefrom and from the receivables deriving therefrom as well as the loan transactions, the factoring and the assets and rights that are ancillary to all of these, in support of the lender.

- K. Further to what is stated in Note 13 to the annual financial statements, in August 2021, the subsidiary company did not renew the credit facility in an amount of NIS 8 million from Bank A. On August 18, 2021 (the day on which the commitment was terminated), the Company complied with all of the contractual restrictions and the financial covenants vis-à-vis Bank A and it repaid the credit facility in full.