

**SAVOREAT LTD.**  
2022 ANNUAL REPORT

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TABLE OF CONTENTS

	<b>Page</b>
<b>AUDITORS' REPORT</b>	2
<b>FINANCIAL STATEMENTS - IN NEW ISRAELI SHEKELS (NIS):</b>	
Statement of financial position	3
Statement of comprehensive income	4
Statement of changes in shareholders' equity	5
Statement of cash flows	6
Notes to financial statements	7-36

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

#### **AUDITORS' REPORT**

To the shareholders of  
**SAVOREAT LTD.**

We have audited the accompanying consolidated statement of financial position of SavorEat Ltd. (hereinafter - the Company) as of December 31, 2022 and 2021 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiary as of December 31, 2022 and 2021 and the results of their operations, changes in shareholders' equity and cash flows for each of the three years ended on December 31, 2022, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

Without qualifying our opinion above, we draw attention to note 1 to the financial statements which describes that the Company is in advanced research and development stages, and therefore, has not yet generated revenue from its operations, has accumulated losses and negative cash flows and will require additional financing resources to continue its activity, the obtaining of which is uncertain. Those factors cast significant doubt on the Company's ability to continue as a going concern. Management plans in relation to those matters are presented in note 1. The financial statements do not include any adjustments relating to the values and classification of asset and liabilities that might be necessary should the Company be unable to continue as a going concern.

Tel-Aviv, Israel  
March 26, 2023

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

**SAVOREAT LTD.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Note</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
		<b>NIS in thousands</b>	
<b>A s s e t s</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	4	28,538	12,262
Short-term deposits		-	30,004
Other receivables	5	<u>3,188</u>	<u>1,976</u>
		<u>31,726</u>	<u>44,242</u>
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment, net	6	711	512
Right-of-use assets		139	475
Associate accounted for using the equity method	17	544	850
Restricted deposits	4	<u>139</u>	<u>91</u>
<b>TOTAL ASSETS</b>		<u>33,259</u>	<u>46,170</u>
<b>Liabilities and equity</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable and accruals	7	1,047	1,524
Current maturities of lease liabilities		177	369
Trade payables		<u>405</u>	<u>15</u>
		<u>1,629</u>	<u>1,908</u>
<b>NON-CURRENT LIABILITIES:</b>			
Liability for options	8	-	4,409
Lease liabilities		-	168
<b>TOTAL LIABILITIES</b>		<u>1,629</u>	<u>6,485</u>
<b>EQUITY:</b>			
Ordinary share capital	8	22	21
Share premium	8	64,665	57,989
Capital reserve	8	5,725	6,764
Accumulated loss		<u>(38,782)</u>	<u>(25,089)</u>
<b>TOTAL EQUITY</b>		<u>31,630</u>	<u>39,685</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>33,259</u>	<u>46,170</u>

Date of approval of the financial statements: March 26, 2023.

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**Oded Shoseyov**  
**Chairman of the Board**

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**Racheli Vizman**  
**CEO**

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**Mira Damgian**  
**CFO**

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

**SAVOREAT LTD.**

**CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME**

<b>RESEARCH AND DEVELOPMENT EXPENSES, net</b>	<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>	<b>MARKETING EXPENSES</b>	<b>Year ended December 31</b>		
			<b>2022</b>	<b>2021</b>	<b>2020</b>
			<b>NIS in thousands</b>		
<b>OPERATING LOSS</b>			10	(12,574)	(8,523)
<b>INCOME (LOSS) FROM CHANGE IN FAIR VALUE OF FINANCIAL DERIVATIVES</b>			11	(4,272)	(4,527)
<b>FINANCE INCOME</b>			12	(1,909)	(1,927)
<b>FINANCE EXPENSES</b>				(18,755)	(14,977)
<b>GAIN FROM DECREASE IN EQUITY INTEREST AND SHARE IN LOSSES OF ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD</b>			17	(306)	850
<b>LOSS BEFORE TAXES ON INCOME</b>				<u>(13,693)</u>	<u>(8,677)</u>
<b>LOSS AND COMPREHENSIVE LOSS</b>				<u>(13,693)</u>	<u>(8,677)</u>
<b>LOSS PER SHARE (NIS)</b>					
<b>BASIC LOSS PER SHARE</b>			13	(6.42)	(4.22)
<b>DILUTED LOSS PER SHARE</b>			13	(8.17)	(6.80)

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

**SAVOREAT LTD.**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve</u>	<u>Accumulated loss</u>	<u>Total</u>
			<u>NIS in thousands</u>		
<b>BALANCE AS OF JANUARY 1, 2020</b>	11	620	-	(121)	510
<b>CHANGE IN 2020:</b>					
Issue of shares (less issue costs of NIS 3,864 thousand)	10	57,354	-	-	57,364
Share-based payment	-	-	3,935	-	3,935
Loss	-	-	-	(16,291)	(16,291)
<b>BALANCE AS OF DECEMBER 31, 2020</b>	21	57,974	3,935	(16,412)	45,518
<b>CHANGE IN 2021:</b>					
Share-based payment	-	15	2,829	-	2,844
Loss	-	-	-	(8,677)	(8,677)
<b>BALANCE AS OF DECEMBER 31, 2021</b>	21	57,989	6,764	(25,089)	39,685
<b>CHANGE IN 2022:</b>					
Exercise of options by investors	1	3,771			3,772
Exercise of options by employees	*	2,905	(2,736)		169
Share-based payment	-	-	1,697		1,697
Loss	-	-	-	(13,693)	(13,693)
<b>BALANCE AS OF DECEMBER 31, 2022</b>	22	64,665	5,725	(38,782)	31,630

\* Less than NIS 1,000

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

**SAVOREAT LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	(13,693)	(8,677)	(16,291)
Adjustments required to reflect cash flows from operating activities			
Adjustments to income and loss items:			
Depreciation and amortizations	475	406	38
Finance income	(1,512)	(70)	(111)
Finance expenses	78	343	680
Share-based payment	1,697	2,844	3,935
Decrease in equity interest and share in losses of associate accounted for using the equity method	306	(850)	-
Loss (gain) from change in fair value of financial derivatives	(3,934)	(5,723)	9,278
	<u>(2,890)</u>	<u>(3,050)</u>	<u>13,820</u>
Changes in operating asset and liability items:			
Increase (decrease) in accounts payable and accruals	(156)	1,093	256
Increase in other receivables	(1,259)	(1,139)	(837)
Increase (decrease) in related parties	-	(9)	5
Increase (decrease) in trade payables	390	(620)	635
	<u>(1,025)</u>	<u>(675)</u>	<u>59</u>
	<u>(3,915)</u>	<u>(3,725)</u>	<u>13,879</u>
Total adjustments	<u>(51)</u>	<u>(32)</u>	<u>(5)</u>
Interest paid	<u>(17,659)</u>	<u>(12,434)</u>	<u>(2,417)</u>
Net cash used in operating activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Deposit created	30,004	(29,922)	(173)
Acquisition of property, plant and equipment	(338)	(444)	(143)
Net cash provided by (used in) investing activities	<u>29,666</u>	<u>(30,366)</u>	<u>(316)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares	-	-	57,952
Issue expenses	-	-	(3,864)
Issue of options	-	-	4,311
Exercise of options by employees	169	-	-
Exercise of options by investors	3,270	-	-
Payments of principal on leases	(361)	(300)	(2)
Net cash provided by (used in) financing activities	<u>3,078</u>	<u>(300)</u>	<u>58,397</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
<b>FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS</b>	15,086	(43,100)	54,989
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>	1,190	(303)	(674)
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<u>12,262</u>	<u>55,665</u>	<u>675</u>
	<u>28,538</u>	<u>12,262</u>	<u>55,665</u>

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

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - GENERAL:

- a.** SavorEat Ltd was incorporated on December 3, 2018 and commenced its operating activity in 2019. The Company is active in a single operating segment which is development of a technology platform for manufacturing and cooking meat substitutes through advanced manufacturing technology, including 3D printing. The corporate address of the Company is 4 Oppenheimer St., Rehovot, Israel. The Company is a public entity, whose shares are traded on the Tel Aviv Stock Exchange (TASE).
- b.** The Company incorporated a wholly-owned subsidiary in the United States – SavorEat Inc. The subsidiary has not yet begun its operations.
- c.** On May 3, 2021, Egg'N'up Ltd (a company accounted for by SavorEat using the equity method) was incorporated and began its business operations in October 2021. Egg'N'up Ltd is active in a single operating segment of developing a digital manufacturing technology for plant-based egg substitutes, including using 3D printing. The corporate address of this entity is 3 Pinhas Sapir St., Nes Ziona, Israel. This entity is a private company.
- d.** As of the date of this report, the Company is a "small corporation" by virtue of the provisions set by Regulation 5C of Securities Regulations (Periodic and Immediate Reports), 1970 ("the Regulations").

According to a resolution of the Company's board of directors, the Company adopted and has been implementing the practical expedients put in place by sections 5(d)(b)(1)-(6) of the Regulations (to the extent such implementation is relevant or may be relevant to the Company in the reported period), providing as follows:

- 1) Presentation of highly material valuations is required only above a materiality threshold of 20%;
- 2) The financial statements of material associates accompany interim financial statements only above a 40% threshold (the threshold for annual financial statements remained 20%);
- 3) Exemption from issuing a management report on internal controls and an auditors' report on internal control, with only limited-scope management declarations;
- 4) Reporting on a semi-annual schedule;
- 5) It is not necessary to include separate financial statements to the periodic report.

#### e. Definitions:

In these financial statements:

The Company	-	SavorEat Ltd.
Related parties	-	As defined by IAS 24.

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

Interested parties and controlling shareholders	- As defined by the Israel Securities Law, 1968 and the regulations thereunder. Accordingly, and as of the date of this report, the interested parties of the Company are Oded Shoelev, Ido Braslavsky, Racheli Vizman, Yissum Research Development Company is the technology transfer company of the Hebrew University of Jerusalem Ltd (hereinafter: "Yissum"), Millennium Food-Tech Limited Partnership and Meitav-Dash Investment Ltd (through provident and pension funds, mutual funds and partnerships), More Investments Ltd (through provident funds) and Altshuler Shaham Ltd (through Psagot Provident and Pension).
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Beginning in 2021, the rate inflation has climbed up both in Israel and elsewhere. In 2021, the Israel Consumer Price Index rose by 2.8%, while the increase in December 2022 reflected an annualized increase of 5.3%. This trend is global, with inflation in the US over recent months reflecting an annualized increase in prices at the rate of 6.5%. To combat this increase in prices, central banks worldwide decided to hike interest rates. For example, in the two latest interest rate decisions, the US Fed raised its benchmark rate by 1.25% to 4.25%-4.5%, while the Bank of Israel increased the interest rate to 4.25% (as of the date of issuing this report). In response to those trends, management has assessed the expected impact of inflation and higher interest rates on the activity of the Company around its cost structure, profit margins and financing costs. The Company performs deposits into interest-bearing, short-term deposits.

The Company believes that the macroeconomic developments do not have material impact on the Company. However, note that the Company believes that the local market conditions (including regarding interest rate hikes and higher inflation) do pose challenges to the Company as a public entity when engaging in capital raises (from the public or through private placements), relative to privately-owned companies in this industry.

The Company is in research and development stages, has not yet generated revenue from its activity, and is dependent on additional financial resources that are required to continue its research and development activity and that the obtaining of which is uncertain. As of December 31, 2022, the Company has accumulated a loss of NIS 38,782 thousand and negative cash flows from operating activity for the year then ended at NIS 17,659 thousand. Management projects that the Company will continue to accumulate operating losses from its future operations, which will result in negative cash flows from operating activities. Those factors cast significant doubt on the Company's ability to continue as a going concern. Management plans, whose completion is not under control of the Company, include raising debt or additional capital. The financial statements do not include any adjustments relating to the values and classification of asset and liabilities that might be necessary should the Company be unable to continue as a going concern.

## **SAVOREAT LTD.**

### NOTES TO FINANCIAL STATEMENTS (continued)

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

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

The financial statements of the Company as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 comply with IFRS, which are standards issued by the International Accounting Standards Board.

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

The significant accounting policies have been applied on a consistent basis for all years presented.

The financial statements have been prepared on the cost basis, subject to adjustments regarding the valuation of financial assets and liabilities presented at fair value, and subject to adjustments regarding the investment in an associate accounted for using the equity method.

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

##### **The Equity Method**

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

On May 3, 2021, Egg'N'up Ltd. Was incorporated (accounted for in SavorEat accounts using the equity method) and commenced its business activity in October 2021. Egg'N'up Ltd is active in a single operating segment of developing a digital manufacturing technology for plant-based egg substitutes, including using 3D printing. The corporate address of this entity is 3 Pinhas Sapir St., Nes Ziona, Israel. This entity is a private company. See note 17.

##### **b. Functional and presentation currency**

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

Foreign currency transactions, assets and liabilities

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

##### **c. Period of operating cycle**

The period of the Company's regular operating cycle is not more than one year.

##### **d. Cash and cash equivalents**

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

**SAVOREAT LTD.**

## NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (continued):**e. Leases**

The Company as a lessee:

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

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

Additionally, there are restricted deposits to secure the lease of offices.

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

**f. Property, plant and equipment**

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

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

	<b>%</b>
Computers	33
Furniture	7
Electronic equipment	15

Leasehold improvements are depreciated using the straight-line method over the shorter of the term of the lease or the useful life of the improvements.

**g. Intangible assets**

Separately acquired intangible assets are measured on initial recognition at cost including direct acquisition costs. After initial recognition, intangible assets are presented at cost, less accumulated amortization and accumulated impairment losses. Costs in respect of proprietary intangible assets, except for capitalized development costs, are recognized in profit or loss as incurred.

**Research and development**

The Company assesses from time to time satisfaction with the criteria for the recognition of intangible assets, and concluded that it was unable to recognize intangible assets as of December 31, 2022 and 2021, among other reasons due to the fact that, as part of development activities, it was unable to demonstrate probable future economic benefits, and as of that date, no revenue related to those development activities has been recognized.

## **SAVOREAT LTD.**

### NOTES TO FINANCIAL STATEMENTS (continued)

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

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

#### **h. Impairment of non-monetary assets**

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

#### **i. Taxes on income**

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

##### **1) Current taxes**

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

##### **2) Deferred taxes**

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

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

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

The company recognizes deferred income tax assets in respect of temporary differences deductible for tax purposes, arising from investment in subsidiary, associates and rights in joint venture, if and only if the temporary difference are expected to be reversed in the foreseeable future and to the that future taxable profit will be available against which the temporary differences can be utilized.

In the absence of expected taxable income in the foreseeable future, no deferred tax asset was recognized in the accounts of the Company.

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

##### j. Employee benefits liabilities:

###### 1) Short-term employee benefits:

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

###### 2) Post-employment benefits:

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

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

The amounts recognized as expenses in relation to defined contribution plans in 2022, 2021 and 2020 are NIS 454 thousand, NIS 298 thousand and NIS 79 thousand, respectively.

##### k. Loss per share

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

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

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

##### l. Government grants:

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

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

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

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

#### m. Financial instruments:

##### Financial assets

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

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

- (1) The Company's business model for managing the financial assets, and
- (2) The contractual cash flow characteristics of the financial asset.

The Company measures debt instruments at amortized cost when:

The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are classified as current assets, excluding maturities for a period of no more than 12 months after the date of statement of financial position, which are classified as non-current assets. As of December 31, 2022 – the Company has only financial assets at amortized cost, under "cash and cash equivalents" and "other receivables" presented in the statement of financial position.

After initial recognition, instruments in that group are measured at amortized cost, under the terms thereof at cost plus direct transaction costs, using the effective interest method.

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

##### Impairment of financial assets

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

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

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

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

Impairment of debt instruments measured at amortized cost shall be recognized in profit or loss against loss allowance.

As of December 31, 2021 and 2022, the Company did not recognize allowance for expected credit losses.

#### Derecognition of financial assets

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

- a) The contractual rights to the cash flows from the financial asset expire, or
- b) The Company has transferred substantially all the risks and rewards of the financial asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the asset.

The Company classifies its financial liabilities into the following categories: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost. Management determines classification of financial liabilities on the date of their initial recognition.

Trade payables and other financial liabilities that are included in the "accounts payable" item are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Options allocated to investors and are exercisable into a currency that is different than the Company's functional currency, represent a financial liability under IAS 32 "Financial Instruments: Presentation". Since that liability is a non-equity derivative financial instrument, it is classified under IFRS 9 into financial liability at fair value through profit or loss, which is measured at fair value at each date of statement of financial position, with changes in its fair value is regularly recognized in profit or loss. Costs that can be directly attributed to such transactions are recognized in profit or loss as incurred.

#### Derecognition of financial liabilities

The Company removes a financial liability when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged or canceled or expires.

The financial liability is extinguished when the debtor repays the liability by cash, other financial assets, goods or services or was released from any legal obligation.

#### **n. Share capital**

Ordinary shares of the Company are classified as share capital.

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

#### **o. Provisions**

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

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

##### **p. Share-based payments**

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

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

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

##### **q. New standards:**

- 1) Amendment to IAS 1 "Presentation of Financial Statements", "classification of liabilities as current or non-current" and "non-current liabilities with covenants" (in this paragraph – Amendment to IAS 1)

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

- a) Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period.
- b) The right to defer settlement of a liability for a loan agreement for at least 12 months at the end of the reporting period only exists if the entity complies with any relevant conditions set in the loan agreement (hereinafter – Financial Covenants). Classification of liability in respect of loan arrangement as above as current or non-current is determined based on compliance with covenants required on or before the end of the reporting period. Covenants an entity has to comply with after the end of the reporting period will not be considered in this determination.
- c) If a liability in respect of a loan arrangement is subject to the entity complying with covenants within twelve months after the reporting period was classified as non-current, a discloses in the notes needs to present information that enables users of the financial statements to understand the risk of the liability becoming repayable within twelve months after the end of the reporting period. This would include disclosure of the nature of the covenants the entity has to comply with, date of their assessment, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. This disclosure may refer to certain actions the entity took to avoid potential breach of the covenants as well as the fact the entity is not complying with the covenants based on circumstances existing at the end of the reporting period.
- d) The entity's intention to exercise an existing right to defer settlement for at least 12 months after the end of the reporting period is irrelevant to the need to classify the liability.

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

- e) Settlement of a liability could be done by transfer of cash, other economic resources or the entity's own equity instruments. Classification of liabilities as current or non-current is not affected by the existing right of the counterparty to require the liability to be settled through transfer of the entity's equity instruments if this right was classified by the entity into shareholders' equity.

The Amendments to IAS 1 is applied retrospectively for annual reporting periods beginning on or after January 1, 2024. According to the provisions of amendments early application is permitted. Initial application of the Amendments to IAS 1 is not expected to have material impact on the Company's financial statements.

#### 2) Amendment to IAS 1 "Disclosure of Accounting Policies"

The Amendment to IAS 1 requires entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The Amendment to IAS 1 clarifies that accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. Additionally, the amendment clarifies that there is no need to disclose immaterial accounting policy information. However, if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Amendment to IAS 1 will be applicable for annual periods beginning on or after 1 January 2023. According to provisions of the amendment early application is permitted. The Company assesses the impact of the application of the Amendment to IAS 1 on the information about its accounting policy in the consolidated financial statements.

#### 3) Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (hereinafter: "Amendment to IAS 8")

The Amendments to IAS 8 clarify how entities should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events, and also to present events and present transactions.

The Amendments to IAS 8 will be applied prospectively for annual periods beginning on or after January 1, 2023. According to provisions of the Amendments, early adoption is permitted. Initial application of Amendments to IAS 8 is not expected to have material impact on the Company's financial statements.

#### 4) Amendment to IAS 12 "Taxes on Income" (hereinafter – Amendment to IAS 12)

The Amendment to IAS 12 clarifies that the exemption from creating deferred taxes in the initial recognition of an asset or liability in a transaction other than a business combination does not impact the accounting profit on the date of the transaction nor does it impact the taxable income or loss on that date (initial recognition exemption) is not applicable in transactions that give rise to equal taxable and deductible temporary differences.

**SAVOREAT LTD.**

NOTES TO FINANCIAL STATEMENTS (continued)

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

Such transactions include, for example, lease transactions where on initial recognition by the lessee, the lessee recognizes a right-of-use asset that equals the lease liability; as well as situations of recognition of a liability on decommissioning and restoration against property, plant and equipment.

The Amendment to IAS 12 is applicable to annual periods beginning on or after January 1, 2023. According to provisions of the Amendments, early adoption is permitted. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. Additionally, in the financial statements in which the amendment is initially applied, the entity is required to recognize at the beginning of the earliest comparative period presented:

- a) A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.
- b) The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Initial application of the Amendments to IAS 12 is not expected to have material impact on the Company's financial statements.

5) Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"

The amendments discuss sales or contributions of assets between an investor and its associate/joint venture and are designed to resolve inconsistencies between IFRS 10 and IAS 28. According to the amendments, when the transferred assets are a "business", as this term is defined by IFRS 3 "Business Combinations", the full profit or loss is recognized, whereas in cases the assets are not a business, the investor needs to recognize the profit or loss up to the amount of the share of the investors unrelated to the associate or jointly controlled entity.

In December 2015, it was decided to defer the adoption date of the amendment to an unknown date. However, according to the amendments, early adoption is permitted. Initial application of the amendments is not expected to have material impact on the Company's financial statements.

**SAVOREAT LTD.**

## NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

## Innovation Authority grants

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

## Development costs capitalization

According to the accounting treatment described in note 2g, management has to assess whether the conditions exist for recognizing the costs of a development project as intangible assets. As indicated in that note, the Company believes that as of December 31, 2022, the conditions for recognizing the costs of development projects as intangible assets have not been satisfied.

## Deferred taxes

Based on the judgment of management, the Company did not create deferred tax assets on accumulated losses for tax purposes, since it is not expected that the Company will be able to utilize those losses in the foreseeable future against taxable income.

## Fair value and initial recognition of investment in associate

The fair value and initial recognition of equity in an associate, which are not traded in an active market, is determined using valuation methods. The Company exercises judgements in order to select different valuation methods and make assumptions that are based mainly on existing market conditions at each statement of financial position date. According to the investment, Millennium Food-Tech received preferred shares that provide various rights and protections, as is common in those types of investment agreements. Therefore, those investments are accounted for using the equity method.

In the absence of an expected taxable income in the foreseeable future, a tax asset was not recognized in the accounts.

**NOTE 4 - CASH AND CASH EQUIVALENTS:**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Balances in NIS	18,086	3,026
Balances in foreign currency	10,452	9,235
Restricted deposits *	139	91

\* The deposits are restricted to secure the lease of the offices used by the Company.

**NOTE 5 - OTHER RECEIVABLES:**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Advances to suppliers	113	99
Innovation Authority	2,740	1,746
Institutions	335	131
	<b>3,188</b>	<b>1,976</b>

**SAVOREAT LTD.**

NOTES TO FINANCIAL STATEMENTS (continued)

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

	<b>As December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
<b>Cost:</b>		
Balance as of January 1	593	149
Additions during the year	338	444
Balance as of December 31	<u>931</u>	<u>593</u>
<b>Accumulated depreciation:</b>		
Balance as of January 1	81	11
Additions during the year	139	70
Balance as of December 31	<u>220</u>	<u>81</u>
<b>Depreciated cost as of December 31</b>	<u>711</u>	<u>512</u>

**NOTE 7 - ACCOUNTS PAYABLE:**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Accrued expenses	126	215
Employees	<u>921</u>	<u>1,309</u>
	<u>1,047</u>	<u>1,524</u>

**NOTE 8 - EQUITY:**

**a. Composition of share capital:**

	<b>December 31</b>	
	<b>Authorized</b>	<b>Issued and paid up</b>
Ordinary shares of NIS 0.01 par value each 2022	<u>100,000,000</u>	<u>2,193,290</u>
Ordinary shares of NIS 0.01 par value each 2021	<u>100,000,000</u>	<u>2,055,043</u>
Ordinary shares of NIS 0.01 par value each 2020	<u>100,000,000</u>	<u>2,055,043</u>

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

The shares are traded on the Tel Aviv Stock Exchange at NIS 12.92 per ordinary share of NIS 0.01 as December 31, 2022.

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

- 1) On its date of incorporation, the Company issued 1,000,000 shares of NIS 0.01 par value each for no consideration.
- 2) On June 20, 2019 and July 10, 2019 the Company issued to two investors (together) 30,181 shares of NIS 0.01 par value each for \$180 thousand (NIS 645 thousand). That share issue created a cost of NIS 14 thousand.

**SAVOREAT LTD.**

NOTES TO FINANCIAL STATEMENTS (continued)

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

- 3) On January 16, 2020, the Company issued to three shareholders (together) 36,827 shares of NIS 0.01 par value each for no consideration.
- 4) In 2020, the Company issued investors (together) 529,715 shares of NIS 0.01 par value each for \$5.5 million. In that issue, the Company incurred costs of NIS 864,391.
- 5) In November 2020, in a public offering on the Tel Aviv Stock Exchange (TASE), the Company issued 458,320 shares of NIS 0.01 par value each for NIS 42.6 million. In that issue, the Company incurred costs of NIS 3 million.
- 6) On June 16, 2020, an investment agreement was signed between the Company and Millennium Food-Tech Limited Partnership (hereinafter: "Millennium Food-Tech"), which was amended on June 30, 2020 (hereinafter: "the Investment Agreement"). According to the Agreement, Millennium Food-Tech would invest in the Company US\$1.75 million based on a fully-diluted valuation of US\$7 million (hereinafter: "the Investment Amount"). This Investment will give Millennium Food-Tech about 20% of the issued share capital of the Company (subject to completing a \$3.5 million financing round, in which Millennium Food-Tech invested in the Company). Millennium Food-Tech would be allotted ordinary shares of the Company. However, in case that preferred shares are allocated within a year after the date of Investment, Millennium Food-Tech would have an option to convert the shares into a new class. Notwithstanding the above, if Preferred C shares are allotted to a third party within four months from date of investment in return for raising \$1 million or more at a value that is greater than that of the present transaction, the conversion of the shares under the terms of the new round would be made subject to the valuation of the transaction under the Investment Agreement will be revised to be at the average between the valuation of the new round and the valuation of the Company under the Investment Agreement and forfeiture of Millennium Food-Tech's shares, as necessary, for updating that valuation.

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

On July 20, 2020, the investment transaction of Millennium Food-Tech in the Company was closed, with Millennium Food-Tech investing \$1.75 million in the Company, such that its equity interest is 20%. See also item 8 below regarding the amendment of the Investment Agreement.

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

**SAVOREAT LTD.**

NOTES TO FINANCIAL STATEMENTS (continued)

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

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

- First installment: Investment of \$950 thousand against shares of the Company at \$8.97 per share, based on a pre-money Company valuation of \$13 million. The Investment Transaction gave each of the investors a right to invest an additional amount, based on the amount of the first installment, in exchange of additional ordinary shares of the Company, over two years since the date of completing the transaction, but not less than a year since the date of completing the listing process. The number of shares allotted on exercising that right would be at \$8.88 per share (106,984 shares).
- Second installment: Will take place when the conditions precedent in the Investment Transaction are satisfied – i.e. meeting a milestone in the progress of developing the manufacturing process for the Company's product; an investment of \$2.05 million against shares at \$22.28 per share, based on a Company pre-money valuation of \$35 million. In the event that the above conditions precedent are not met by the earlier of (a) November 1, 2021 and (b) publication of a prospectus by the Company in relation to a listing on a stock exchange ("the Listing" and "the Expiration Date", respectively), the second installment will immediately expire on the Expiration Date, and the Investors would not have any duty to invest the above amount of the second installment. Notwithstanding the above, if the Listing process has not been completed, the Investor would have a right to invest under the above terms despite the fact that the conditions precedent are not met.

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

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

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

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

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

On July 19, 2022, Y.D. More Investments Ltd , an interested party, exercised all the rights to share of the Company it held under the agreement such that 53,492 rights it held to buy shares were exercised into 53,492 ordinary shares of the Company for an exercise price of \$8.88 per right to buy a share.

On July 20, 2022, Meitav Dash Investments Ltd (proprietary, provident funds and pension funds), an interested party, exercised all the rights to share of the Company it held under the agreement such that 53,492 rights it held to buy shares were exercised into 53,492 ordinary shares of the Company for an exercise price of \$8.88 per right to buy a share.

#### c. Share-based payment:

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

The amount of expenses recognized in profit or loss of the Company in 2021 and 2022 in respect of the grants of options to employees are NIS 2,844 thousand and NIS 1,697 thousand, respectively.

**SAVOREAT LTD.**

NOTES TO FINANCIAL STATEMENTS (continued)

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

The change in share options in 2022 and 2021:

	<b>2022</b>		<b>2021</b>		<b>2020</b>	
	<b>Number of options</b>	<b>Average exercise price</b>	<b>Number of options</b>	<b>Average exercise price</b>	<b>Number of options</b>	<b>Average exercise price</b>
Outstanding share options at beginning of year	145,268	56.77	84,989	8.2	-	-
Share options exercised	31,263	13	-	-	-	-
Share options expired or forfeited	39,710	54.54	24,771	52.97	-	-
Share options granted during the year	<u>41,658</u>	<u>49.75</u>	<u>62,275</u>	<u>85.59</u>	<u>84,989</u>	<u>8.2</u>
Outstanding share options at end of year	<u><u>138,195</u></u>	<u><u>59.09</u></u>	<u><u>145,268</u></u>	<u><u>56.77</u></u>	<u><u>84,989</u></u>	<u><u>8.2</u></u>

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

	<b>2022</b>	<b>2021</b>
Dividend yield	0%	0%
Expected volatility	49-76%	93-76%
Risk-free interest	0.256-3%	0.16-0.265%
Expected period to exercise	1-3	4

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

**NOTE 9 - TAXES ON INCOME:**

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

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

According to the law, the statute of limitations for self-assessments filed by taxpayers was set to four years after the end of the tax year in which the assessment was filed. Therefore, such self-assessments that have been filed by the Company since its incorporation are not considered final.

Carryforward losses amount to NIS 11.3 million and NIS 24.9 million as of December 31, 2022 and 2021, respectively.

**SAVOREAT LTD.**

## NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 9 - TAXES ON INCOME** (continued):

## Note of theoretical tax

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

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Loss before tax	(13,693)	(8,677)	(16,291)
Statutory tax rate	23%	23%	23%
Tax calculated based on statutory tax rate	(3,149)	(1,995)	(3,746)
Non-deductible expenses	(444)	(874)	3,038
Loss for tax purposes not recognized as deferred taxes	3,593	2,869	708
	-	-	-

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

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Consultants	5,460	3,142	743
Payroll	6,033	4,472	4,617
Other	1,315	763	138
Purchasing	3,273	2,457	748
Participation in expenses	(3,507)	(2,311)	(1,165)
	12,574	8,523	5,081

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

The research and development expenses approved for the plan amount to NIS 2,308 thousand, with a grant approved at 75% of that amount, i.e. NIS 1,731 thousand.

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

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

- 1) The approved plan would be implemented as detailed in the application of the Company within a twelve-month period, from May 1, 2020 to April 30, 2021.
- 2) The Company and the controlling shareholder, or the interested party of the Company, as applicable, are required to report to the Research Committee on specified dates on any change of control in the Company and certain changes in holding of instruments by the controlling shareholders of the Company.

**SAVOREAT LTD.**

NOTES TO FINANCIAL STATEMENTS (continued)

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

- 3) In the event of placing charges on assets of the Company in favor of an Israeli bank against credit, the Company is required to ensure that the charge would be in compliance with the plan and the Innovation Law, as well as the rules and procedures set by their virtue.
- 4) If the plan is related to an agreement with an academic institution or a company for implementing academic research, the Company is required to ensure that the agreement complies with the provisions of the program and the Innovation Law, as well as the rules and procedures set by their virtue.
- 5) Additional terms and conditions as set in the approved plan.

As of the 2021 year-end, the grant for that plan was received in full.

In November 2021, the Company received an approval of the Innovation Authority to a grant under the research and development plan that the Company filed for the period from July 1, 2021 to June 30, 2022. The approval of the Innovation Authority was granted for a plan to develop an innovative cellulose-based meat substitute that provides identical eating experience to that of meat, which the Company is developing.

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

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

As of February 2023, the grant for that plan was received in full.

In November 2021, the Company received an approval of the Innovation Authority to a grant under a research and development plan that the Company filed for 2022-2023. The approval of the Innovation Authority was granted for a plan to develop innovative meat substitutes that provide identical eating experience to that of meat, which the Company is developing.

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

The amount of research and development expenses approved to the Company is NIS 8.6 million, and the share thereof approved as a grant for 2022 (through the end of June 2023) is 40% (i.e. up to NIS 3.5 million).

In 2022, NIS 1.2 million of that plan was received.

**SAVOREAT LTD.**

NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 11 - ADMINISTRATIVE AND GENERAL EXPENSES:**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Payroll	2,680	3,170	447
Professional services	1,098	1,075	561
Other	494	282	37
	<b>4,272</b>	<b>4,527</b>	<b>1,045</b>

**NOTE 12 - MARKETING EXPENSES:**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Payroll	463	797	214
Events and trade shows	563	17	-
Other	883	1,113	104
	<b>1,909</b>	<b>1,927</b>	<b>318</b>

**NOTE 13 - LOSS PER SHARE:**

**a. Basic**

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

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Loss for the period	(13,693)	(8,677)	(16,291)
Weighted average of the number of issued ordinary shares	<u>2,134,376</u>	<u>2,055,043</u>	<u>1,286,438</u>
<b>Basic loss per share (NIS)</b>	<b>(6.42)</b>	<b>(4.22)</b>	<b>(12.66)</b>

**SAVOREAT LTD.**

## NOTES TO FINANCIAL STATEMENTS (continued)

**NOTE 13 - LOSS PER SHARE** (continued):**b. Diluted**

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

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Total loss for the period, used for calculating basic (loss) per share	(13,693)	(8,677)	(16,291)
Adjustments for revaluation of liability warrants	(3,934)	(5,793)	-
Total (loss) used in calculation of (loss) per share	(17,627)	(14,470)	(16,291)
Weighted average of the number of shares used for calculation of basic (loss) per share	2,134,376	2,055,043	1,286,438
Adjustment for diluted options	23,275	73,578	-
Weighted average of number of shares used in calculation of (loss) per share	2,157,651	2,128,621	1,286,438
<b>Diluted loss per share (NIS)</b>	<u>(8.17)</u>	<u>(6.80)</u>	<u>(12.66)</u>

In the calculation of diluted loss per ordinary share for the reported years, employee options were not taken into account, as they are antidilutive assuming full dilution.

**NOTE 14 - TRANSACTIONS WITH RELATED PARTIES AND INTERESTED PARTIES:****a. Compensation and benefits to interested parties and key management personnel**

Key management personnel of the Company are Ms. Racheli Vivman, who is CEO and director, and Oded Shosevoy, who is Chief Science Officer (CSO) and Chairman of the Board, as well as board members. In the years ended December 31, 2022 and 2021, payments were made to interested parties and key management personnel.

- b.** For information about the engagement with Yissum, which is an interested party, see note 15 below.
- c.** For information about a grant of equity-based compensation, see note 8 below.
- d.** In early November 2020, after obtaining consent from Yissum, the Company engaged in an agreement for consulting services with Prof. Oded Shosevoy, under which, beginning on January 1, 2021, Prof. Shosevoy would provide up to

**SAVOREAT LTD.**

## NOTES TO FINANCIAL STATEMENTS (continued)

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

eight weekly hours of consulting services to the Company for a monthly payment of NIS 14,000 plus VAT.

Beginning in December 2022, the amount of monthly payment was updated to NIS 10,500 plus VAT.

Benefits to key management personnel of the Company (\*)

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Salary and related benefits to CEO (in terms of cost to employer) **	1,218	1,146	396
Consulting fee and related benefits to Chairperson of the Board	430	339	-
Remuneration and related benefits to directors (four board members) ***	183	160	-
	<b>1,831</b>	<b>1,645</b>	<b>396</b>

\* Including share-based payment

\*\* The monthly salary of CEO was reduced by 25% beginning on January 1, 2023 and until the parties agree otherwise. This was done in relation to the decision by the Company to refocus its activity and cut costs over the coming period.

\*\*\* One of the directors waives his remuneration effective beginning in December 2022.

On March 26, 2023, the board approved the amendment to the engagement agreements with CEO and Chairman, as well as to revise the terms of service of the additional director. That reduction will be paid to them if certain events materialize, with option for interest or linkage.

In 2022, 2021 and 2020, the total value of benefit for options granted to directors was NIS 328 thousand, NIS 223 thousand and NIS 0, respectively.

**NOTE 15 - ENGAGEMENTS:**

Research and licensing agreement with Yissum

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

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

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

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

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

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

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

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

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

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

#### Agreement with BBB Restaurants Ltd ("BBB")

- a.** On December 23, 2019, the Company engaged with BBB in a joint development and collaboration agreement (hereinafter in this section: "the Agreement" or "the Development Agreement"), whereby the parties committed to cooperate in the development, design and assessment of hamburgers using the cartridge system of the Company (hereinafter in this subsection: "**the Product**"), and do so in accordance to a three-year development plan that was set in place in the Agreement. Within the development plan, it was agreed that BBB would provide the Company access to its restaurants and branches and allow the company to examine its operating methods for product characterization. BBB would provide the Company feedback on the Product and its taste. When the Product of the Company reaches the alpha and beta test phases, the Company would provide BBB systems and cartridges for its use and for selling the Product in some of its restaurants simultaneously. For that end, the Company granted BBB a license for the development systems regarding the systems and the use of them. It was additionally agreed that the parties would be each other's exclusive partner regarding the development of the Product and its sale in hamburger restaurants in Israel for the duration of the development program, and that each of the parties would bear its own expenses arising from satisfying its commitments under the development plan. The obligations of BBB, including services of the chain's chef to the development program, will be performed to the extent set in the Agreement.
- b.** Subject to completing the development plan, to the satisfaction of both parties, the integration of the Product in BBB restaurants and transition to the commercial phase would be performed under the following terms and conditions:
  - 1)** The Company would provide BBB and its related companies (hereinafter in this subsection: "**the Group**") orders of the system and cartridges of the raw material for manufacturing the Product in such a way as may be agreed between the parties at that time.
  - 2)** The Group would receive a license to use the system and the cartridges of the raw material for exclusive use, preparation, marketing and selling of the Product for 24 months in relation to selling the Product in hamburger restaurants in Israel, as may be agreed by the parties at the end of the development plan.

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

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

Under the Agreement, BBB gave its consent that one of its senior employees would serve as member of the Company's consulting scientific committee for the number of hours it committed to in the Agreement and it was also agreed that options to buy 5,593 ordinary shares of the Company would be granted to each of BBB and its senior employee. The options were granted in practice in 2020.

Following successful results of the pilot performed in a dedicated restaurant of the chain in Israel in early 2022 and the satisfactory completion of the first stage (the development plan stage) of the agreement from the perspective of both parties, they agreed to continue exploring a continuation of the engagement between them and move to the next commercial phase. However, commercial differences appeared to exist between the parties, both around how to continue the joint activity over the next commercial phase and regarding the amount of capital investment required from each party and how it would be financed. As of the date of this report, the parties have not reached commercial understandings as to those points and the Company is unable to assess whether or when (if at all) such understandings are reached between the parties.

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

#### Cooperation agreement with Sodexo Operations LLC

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

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

The cooperation agreement was originally with a term of one year and has been extended, at this stage for an additional period of one year (until August 2023) in order to permit the parties to perform the commercial exposure as planned. For information about the planned exposure in Colorado, US, and regarding a delay in the regulatory approval process for the 1.1-type system in that state, for obtaining the UL standard certification.

**SAVOREAT LTD.**

NOTES TO FINANCIAL STATEMENTS (continued)

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

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

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

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

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

Following successful results of the commercial exposures, as of the date of this report, the parties are currently engaged in preparations ahead of additional exposures as part of this joint effort. The Company believes that a first exposure as part of the collaboration with Yarzin-Sella will materialize as early as the first half of 2023.

**SAVOREAT LTD.**

## NOTES TO FINANCIAL STATEMENTS (continued)

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

## Financial risk management

**a. Financial risk factors**

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

## 1) Market risks:

## Foreign exchange risks

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

	<u>Change</u>	<u>Net Equity NIS in thousands</u>	<u>income</u>
<b>December 31, 2022</b>			
Increase in exchange rate	2%	200	200
Increase in exchange rate	1%	100	100
Decrease in exchange rate	(1%)	(100)	(100)
Decrease in exchange rate	(2%)	(200)	(200)
<b>December 31, 2021</b>			
Increase in exchange rate	2%	185	185
Increase in exchange rate	1%	92	92
Decrease in exchange rate	(1%)	(92)	(92)
Decrease in exchange rate	(2%)	(185)	(185)

## 2) Credit risk:

Credit risks are accounted for at the level of the Company. Credit risks are associated with cash and cash equivalents held with leading commercial banks in Israel.

As of December 31, 2022, the Company has yet to recognize a provision for credit loss.

## 3) Liquidity risk

The Company does not utilize any banking credit facilities.

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

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

**b. Capital risk management**

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

## SAVOREAT LTD.

### NOTES TO FINANCIAL STATEMENTS (continued)

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

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

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

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

Additionally, Millennium Food-Tech committed to invest under the agreement an initial amount of \$1.2 million in Egg'N'up Ltd (regardless of an additional potential investment of \$0.8 million if it elects to exercise the option that was given to it, as above, under the terms of the plan) in such way that upon closing the agreement, assuming the investment of the entire minimum amount for investment by Millennium only (without investment of other private investors), Egg'N'up Ltd would be jointly owned by the Company (about 86% in practice) and Millennium Food-Tech (about 14% in practice). According to the investment agreement, Millennium Food-Tech received preferred shares that give it rights to participate in decision making regarding activities with significant impact on the returns of Egg'N'up. Therefore, this investment is accounted for using the equity method. The agreement includes reference to additional matters that are common in agreement of that type, including adoption of capital-based compensation plan, ownership over the intellectual property to be developed by Egg'N'up Ltd, sublicense granted by the

Company to Egg'N'up Ltd to facilitate the continued development of the new product, indemnification, etc.

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

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

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

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

**SAVOREAT LTD.**

NOTES TO FINANCIAL STATEMENTS (continued)

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

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

In January 2022, Egg'N'up received from the Innovation Authority the grant approved at NIS 2.5 million, based on a capital investment of NIS 6.5 million.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
<b>Investment in a company accounted for using the equity method:</b>		
Investment in share capital	2,026	1,187
Dividend attributed to preferred shares	(590)	(113)
Accumulated loss	(892)	(224)
<b>Total</b>	<b>544</b>	<b>850</b>

**Change in investments in investees accounted for using the equity method (in this section - "associates"):**

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Balance as of beginning of year	850	-	-
Reduction of equity interest in investee	838	1,187	-
Accumulated dividend	(477)	(113)	-
Share of losses of investee	(667)	(224)	-
<b>Balance as of end of year</b>	<b>544</b>	<b>850</b>	<b>-</b>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Current assets	5,266	3,765
Non-current assets	4,526	4,486
<b>Total assets</b>	<b>9,792</b>	<b>8,251</b>
Current liabilities	1,235	198
Non-current liabilities	608	484
<b>Total liabilities</b>	<b>1,843</b>	<b>682</b>
<b>Equity attributed to shareholders of the Company</b>	<b>7,949</b>	<b>7,569</b>

**SAVOREAT LTD.**

## NOTES TO FINANCIAL STATEMENTS (continued)

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

	<b>For the year ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>NIS in thousands</b>		
Operating loss	828	282	-

**Reconciliation of condensed information**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>NIS in thousands</b>	
Equity attributed to owners of the Company	7,949	7,569
Share of the Company in equity of associate	6,548	6,488
Balance of investment financial statements of the Company	544	850
Unrealized gain	5,418	5,638

**NOTE 18 - SUBSEQUENT EVENTS**

On March 26, 2023, the Company's board of directors approved a grant of 29,287 options that are exercisable into ordinary shares.

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