SAVOREAT LTD.

2024 ANNUAL REPORT

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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, 2024 and 2023 and the consolidated statements of income and comprehensive loss, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2024. 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, 2024 and 2023 and the results of their operations, changes in shareholders' equity and cash flows for each of the three years ended on December 31, 2024, 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.

Key audit matters

The following key audit matters are matters which were communicated, or which were required to be communicated, to the Company's Board of Directors, and which, in our professional judgment, were most significant in auditing the consolidated financial statements for the current period. These matters include, inter alia, any matter which: (1) pertains or may pertain to significant items or disclosures in the financial statements, and (2) involve our especially challenging, subjective or complex judgments.

We determined that no key audit matters need to be communicated, except as described in the paragraph above about significant doubt on the Company's ability to continue as a going concern.

Tel-Aviv, Israel	Kesselman & Kesselman
March 25, 2025	Certified Public Accountants (lsr.)
	A member firm of PricewaterhouseCoopers International Limited

SAVOREAT LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31 2024	December 31 2023
		NIS in thousands	
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	4	10,854	14,068
Restricted deposits	4	149	127
Short-term deposits		-	5,110
Other receivables	5	303	304
		11,306	19,609
NON-CURRENT ASSETS:			
Property, plant and equipment, net	6	472	585
Right-of-use assets		-	455
Restricted deposits		-	118
		472	1,158
TOTAL ASSETS		11,778	20,767
Liabilities and equity			
CURRENT LIABILITIES:			
Accounts payable and accruals	7	804	782
Current maturities of lease liabilities		-	451
Trade payables		349	369
		1,153	1,602
EQUITY:			
Ordinary share capital	8	23	22
Share premium	8	67,362	64,665
Capital reserve	8	5,989	6,523
Accumulated loss		(62,749)	(52,045)
TOTAL EQUITY		10,625	19,165
TOTAL LIABILITIES AND EQUITY		11,778	20,767

Date of approval of the financial statements: March 25, 2025.

Oded Shoseyov	**Racheli Vizman**	**Yossi Hatan**
Chairman of the Board	**CEO**	**CFO**

The accompanying notes are an integral part of the financial statements

SAVOREAT LTD.

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE LOSS

	Note	Year ended December 31		
		2024	**2023**	**2022**
		NIS in thousands		
Research and development expenses, net	10	(8,379)	(11,182)	(12,574)
Administrative and general expenses	11	(2,711)	(2,473)	(4,272)
Marketing expenses	12	(195)	(373)	(1,909)
Operating loss		(11,285)	(14,028)	(18,755)
Income from change in fair value of financial derivatives		-	-	3,934
Finance income		634	1,339	1,512
Finance expenses		(53)	(30)	(78)
Loss from decrease in equity interest and share in losses of associate accounted for using the equity method	17	-	(544)	(306)
Loss and comprehensive loss		(10,704)	(13,263)	(13,693)
Loss per share (NIS)	13			
Basic loss per share		(4.78)	(6.05)	(6.42)
Diluted loss per share		(4.78)	(6.05)	(8.17)

The accompanying notes are an integral part of the financial statements

SAVOREAT LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Capital reserve	Accumulated loss	Total
	NIS in thousands				
BALANCE AS OF JANUARY 1, 2022	21	57,989	6,764	(25,089)	39,685
CHANGES IN 2022:					
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)
BALANCE AS OF DECEMBER 31, 2022	22	64,665	5,725	(38,782)	31,630
CHANGES IN 2023:					
Share-based payment	-	-	798	-	798
Loss	-	-	-	(13,263)	(13,263)
BALANCE AS OF DECEMBER 31, 2023	22	64,665	6,523	(52,045)	19,165
CHANGES IN 2024:					
Issue of shares and warrants, net	1	1,827	-	-	1,828
Expiry of employee options	-	870	(870)	-	-
Share-based payment	-	-	336	-	336
Loss	-	-	-	(10,704)	(10,704)
BALANCE AS OF DECEMBER 31, 2024	23	67,362	5,989	(62,749)	10,625

* Less than NIS 1,000

The accompanying notes are an integral part of the financial statements

SAVOREAT LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31		
	2024	**2023**	**2022**
	NIS in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	(10,704)	(13,263)	(13,693)
Adjustments required to reflect cash flows from operating activities			
Adjustments to income and loss items:			
Depreciation and amortizations	584	564	475
Finance income	(49)	(441)	(1,512)
Finance expenses	154	22	78
Share-based payment	336	798	1,697
Decrease in equity interest and share in losses of associate accounted for using the equity method	-	544	306
Gain from change in fair value of financial derivatives	-	-	(3,934)
	1,025	1,487	(2,890)
Changes in operating asset and liability items:			
Increase (decrease) in accounts payable and accruals	22	(266)	(156)
Decrease (increase) in other receivables	-	2,884	(1,259)
Increase (decrease) in trade payables	(20)	(36)	390
	2	2,582	(1,025)
Total adjustments	1,027	4,069	(3,915)
Interest paid	(29)	(22)	(51)
Net cash used in operating activities	(9,706)	(9,216)	(17,659)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Deposit repaid (deposit created)	5,102	(5,104)	30,004
Proceeds from disposal of property, plant and equipment	5	2	-
Acquisition of property, plant and equipment	(21)	(39)	(338)
Net cash provided by (used in) investing activities	5,086	(5,141)	29,666
CASH FLOWS FROM FINANCING ACTIVITIES:			
Consideration from issue of shares and warrants, net	1,828	-	-
Exercise of options by employees	-	-	169
Exercise of options by investors	-	-	3,270
Payments of principal on leases	(466)	(443)	(361)
Net cash provided by (used in) financing activities	1,362	(443)	3,078
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,258)	(14,800)	15,086
FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	44	330	1,190
BALANCE OF CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	14,068	28,538	12,262
BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF YEAR	10,854	14,068	28,538

The accompanying notes are an integral part of the financial statements

NOTE 1 - GENERAL:

a. SavorEat Ltd was incorporated on December 3, 2018 and commenced its operating activity in 2019. The Company is active in a single operating segment which is the development of a technology platform for manufacturing and cooking diverse food products 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, and its shares are listed 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. The corporate address of this entity is 3 Pinhas Sapir St., Nes Ziona, Israel. This entity is a private company. See note 17.

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) Valuations are only disclosed above a materiality threshold of 20%;

2) The financial statements of material associates are attached to interim financial statements only above a 40% threshold (the threshold for annual financial statements remained at 20%);

3) Exemption from issuing a management report on internal controls and an auditors' report on internal control, requiring only a limited scope of management declarations;

4) Reporting on a semi-annual schedule;

5) Exemption from attaching separate financial statements to the periodic report.

e. Definitions:

In these financial statements:

The Company	-	SavorEat Ltd.
Related parties	-	As defined by IAS 24.
Interested parties and controlling shareholders	-	As defined by the Israel Securities Law, 1968 and the regulations thereunder. Accordingly, and as of the date of this report, the interested parties of the Company are Oded Shoseyov, Ido Braslavsky, Racheli Vizman, Yissum Research Development Company of the Hebrew University in 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).

NOTE 1 - GENERAL (continued):

f. Inflation has risen both in Israel and globally beginning in 2021. In an attempt to bring price increases under control, central banks worldwide hiked interest rates. Additional interest rate raises are possible over the course of 2025, although it seems that the measures taken until now have quite successfully delivered the outcomes intended by the central banks, and contrary to concerns and early projections, those measures have at this stage not led economies to get into a recession.

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 above macroeconomic developments do not have material impact on the Company. However, note that the Company believes that the local market conditions (including 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.

g. The Company is in research and development stages, has not yet generated revenue from its activity, and is dependent on additional financial resources to continue its research and development activity. Obtaining such financial resources is uncertain. As of December 31, 2024, the Company has accumulated a loss of NIS 62,749 thousand and negative cash flows from operating activity for the year then ended at NIS 9,706 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 implementation is not fully under the 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.

h. On October 7, 2023, the Hamas terror organization in the Gaza Strip launched a surprise attack against Israel. Following this attack, the Israeli government declared the Iron Swords war against Hamas. Later, Israel was also attacked from the north by the Hezbollah terror organization, and tension in other fronts has also been elevated.

As part of coping with threats posed during the Iron Swords War, the Israeli government evacuated dozens of the communities bordering Gaza and those along the Israel-Lebanon border, and imposed restrictions on gatherings, workplaces and educational activities subject to the guidelines of the Home Front Command. Additionally, many reservists were called in for a prolonged active duty.

Those factors caused a slowing down of business activity in Israel, as a result of closing businesses, labor shortage and delays in the supply chain.

As of the date of approval of the financial statements, the Company believes that the above events – whose end, scale and/or intensity are unknown or predictable – do not have, in and of themselves – material impact on the activity of the Company and its business.
Among other things, such impact is dependent on the scope and duration of the war, the impact on the Israeli economy as a whole and on the specific industry in which the Company operates.

The Company continues to monitor the events as they unfold and considers their impact on its business activity in Israel and future actions it may take in response.
As of the date of this report, the company estimates that the security events—whose end, scope, and/or intensity are unknown or unpredictable—do not, in and of themselves, have a material impact on the company's operations and business, at least until the end of the third quarter of 2025.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

a. Compliance with IFRS and presentation of the disclosure under the Securities Regulations

The financial statements of the Company as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 comply with International Financial Reporting Standard (hereinafter - IFRS), which are standards and interpretations issued by the International Accounting Standards Board (IASB), and include the additional disclosure required by
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.

<u>The Equity Method</u>

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. See note 1c.

As to these financial statements, note as follows:

1) The significant accounting policies described in the specific notes, have been consistently applied to all years presented, unless otherwise is indicated.

2) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Note 3 discloses areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have significant impact on the financial statements.

3) The Company's operating cycle is 12 months.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

c. 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 January 2020 the IASB published an amendment to IAS 1 "Presentation of financial statements", dealing with the classification of liabilities as current or non-current. In October 2022, another amendment was published in relation to liabilities with financial covenants, guiding entities whether to classify them as current or non-current liabilities (hereinafter: the "Amendment").

The Amendment clarifies that the classification of liabilities as current or non-current is only derived from the rights given to the entity as of the end of reporting period. Accordingly, liabilities will be classified as non-current if the entity has a right, as of reporting period-end, to defer settlement of a liability for at least 12 months after reporting period-end. Additionally, the Amendment clarifies that this conclusion may not be affected by management's expectations about whether the entity will exercise that right to defer settlement of the liability.

It is also made clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. Additionally, in circumstances where a counterparty has an option to demand settlement with equity instruments of the entity (such as bonds convertible at call), then this condition does not affect the classification of liabilities as current or non-current if the option qualifies for classification in equity.

Regarding liabilities with covenants, the Amendment clarifies that their classification is determined only on the basis of the financial covenants that the entity is required to comply with at or before the end of the reporting period, and that classification is not affected by the existence of financial covenants that the entity is required to comply with after the end of the reporting period.

The Amendment clarifies that when an entity has a liability in respect of which it is required to comply with financial covenants in the 12 months after the end of the reporting period and this liability is classified as non-current, disclosure must be given in the notes, allowing users of the financial statements to understand the risk embedded in the liability being called in the 12 months after the end of the reporting period.

The amendment was adopted retrospectively for annual periods beginning on or after January 1, 2024.

The first-time application of the Amendment did not materially affect the classification of liabilities in the Company's statement of financial position.

2) IFRS 18 "Presentation and disclosure of financial statements" (hereinafter - IFRS 8)

IFRS 18 replaces IAS 1 "Presentation of financial statements", with many requirements of IAS 1 being transferred to IFRS 18, including to a number of additional standards (without change, or with some changes). IFRS 18 is intended to improve disclosure of information in financial statements by entities to investors, and particularly increase transparency and comparability between companies, with focus on financial performance presented in the income statement. Additionally, IFRS 18 is accompanied by amendments to IAS 7 "Statement of cash flows" (the most significant of which concern the classification of cash flows from interest and dividends), IAS 33 "Earnings per share" and IAS 34 "Interim financial reporting".

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

The main new principles introduced by IFRS 18 relate to the following:

a) Structure of the income statement

According to IFRS 18, all items of income and expenses are classified into one of the five categories of operating, investing, financing, income taxes and discontinued operations. The standard provides general guidance for classification of items among these categories and subtotals that entities will be required to present in profit or loss.

b) Disclosure in the financial statements of "management-defined performance measures" (MPMs)

Many companies report on alternative performance indicators or on indicators that are not based on accounting standards (non-GAAP) as part of their various reports to the public. When these indicators meet the definition of "MPMs", IFRS 18 requires companies to disclose such indicators in the notes to the financial statements, along with a requirement to present a match between the indicator and other data in the financial statements.

MPMs are sub-summaries of revenue and expenses that are released to the public in order to convey the management's perception of the financial performance of the company as a whole.

c) Principles for grouping together and splitting information in statements or notes

IFRS 18 establishes requirements that will help companies determine whether information about items should be provided on the face of financial statements (statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows) or in the notes, and provides guidance for determining the required level of detail. In addition, IFRS 18 includes requirements for presentation of operating expenses in the statement of profit or loss, disclosure of certain expenses by nature, and additional information on items grouped together in the "other" item.

In the initial application year, IFRS 18 requires presenting a reconciliation between the comparative information under IAS 1 and IFRS 18 for the same year.

IFRS 18 will become mandatory on January 1, 2027 with retrospective implementation.

The Company began the process of assessing the impact of applying IFRS 18 to the consolidated financial statements. However, at this stage, the impact of first-time adoption cannot be reasonably estimated.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

a. 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.

Share-based payment

The Company offers a number of equity-settled, share-based payment plans to its employees and service providers, under which it receives services from those employees and service providers in consideration of the Company's equity instruments. The fair value of the services received in consideration of the grant of options is expensed in profit or loss. The amount of expense recognized is determined while considering the fair value of the options that were granted.

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

On each date of the statement of financial position, the Company updates its estimates regarding the number of options expected to vest, based on non-market vesting conditions, and recognizes the effect of change compared to the original estimates, if any, on the income statement and by a corresponding adjustment to equity.

Upon exercising the options, the Company issues new shares. The proceeds, net of directly attributable transaction costs, are charged to shareholders' equity (par value) and to share premium.

b. Judgment with material impact on the implementation of the Companies accounting policy

Capitalization of development costs

Management is required to assess whether the conditions exist for recognizing the costs of a development project as intangible assets. The Company believes that as of December 31, 2023, 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.

NOTE 4 - CASH AND CASH EQUIVALENTS:

a. Information about accounting policy

Cash equivalents are highly-liquid investments, including unrestricted, short-term bank deposits with original maturity of not more than three months.

b. Additional information:

	December 31	
	2024	2023
	NIS in thousands	
Balances in NIS	1,996	3,967
Balances in foreign currency	8,858	10,101
	10,854	14,068

NOTE 5 - OTHER RECEIVABLES:

	December 31	
	2024	2023
	NIS in thousands	
Prepaid expenses and advances	129	105
Institutions	157	199
Others	17	-
	303	304

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

a. Information about accounting policy

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

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

	%
Computers	33
Furniture	7
Electronic equipment	15

b. Additional information

	As December 31	
	2024	2023
	NIS in thousands	
Cost:		
Balance as of January 1	966	931
Additions during the year	21	39
Disposals	(29)	(4)
Balance as of December 31	958	966
Accumulated depreciation:		
Balance as of January 1	381	220
Additions during the year	129	163
Disposals	(24)	(2)
Balance as of December 31	486	381
Depreciated cost as of December 31	472	585

NOTE 7 - ACCOUNTS PAYABLE:

	December 31	
	2024	**2023**
	NIS in thousands	
Accrued expenses	94	95
Employees	710	687
	804	782

NOTE 8 - EQUITY:

a. Composition of share capital:

	December 31	
	Authorized	**Issued and paid up**
Ordinary shares of NIS 0.01 par value each 2024	100,000,000	2,346,128
Ordinary shares of NIS 0.01 par value each 2023	100,000,000	2,193,290

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 3.718 per ordinary share of NIS 0.01 as December 31, 2024.

b. Share issues during the period

On July 27, 2024, the Company entered into a private investment agreement with a German venture capital fund 2B AHEAD Ventures Fonds 02 GmbH & Co. KG (hereinafter - the "Fund"). Under the terms and conditions in the agreement, the Company issued to the Fund 152,838 ordinary shares of NIS 0.01 par value each of the Company and 76,419 warrants convertible into 76,419 ordinary shares for an exercise price of NIS 12.595 each, and total consideration of $0.5 million (NIS 1,853 thousand less NIS 25 thousand issue expenses). The warrants are exercisable over a period of 12 months after closing date of the agreement.

On September 11, 2024, all conditions for closing the investment agreement were satisfied. On September 15, 2024, the consideration was received by the Company and the Fund was issued shares and warrants, as indicated above.

c. Share-based payment:

1) Information about accounting policy

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.

NOTE 8 - EQUITY (continued):

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.

2) Grant of options to employees and consultants:

a) On June 25, 2024, the Company's board of directors approved an allocation of options to all serving directors (including CEO) and to an officer of the Company. In the allocation, 113,000 options were granted, exercisable into 113,000 ordinary shares of NIS 0.01 par value each of the Company for an exercise price of NIS 7 and NIS 9.2. The vesting period is four years, and according to the option plan of the Company. On August 12, 2024, the grant of options to the directors and CEO was approved by the shareholders. On February 10, 2025, after the date of the statement of financial position, two directors waived 25,000 options given to them, and they were forfeited on that date.

b) On December 23, 2024, the Company's board of directors approved an allocation of options to seven employees of the Company and a consultant. As part of this allocation, 42,577 options that are convertible into 42,577 ordinary shares of NIS 0.01 par value each were granted, with an exercise price of NIS 4 and NIS 3.5, respectively. The vesting periods are 4 and 3 years, respectively, and they are governed by the option plan of the Company.

3) Additional information:

a) 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.

b) On December 24, 2024, the Company's board of directors approved a repricing of exercise price for 40,337 options held by employees of the Company (who are not the CEO and/or directors and/or interested parties by virtue of their holdings). The new exercise price is NIS 4 per option. As a result of that benefit to employees for the repricing, the Company recognized an expense of NIS 47 thousand.

c) The amount of expenses recognized in profit or loss of the Company in 2024 and 2023 in respect of the grants of options to employees are NIS 798,336 and NIS 1,697 thousand, respectively.

NOTE 8 - EQUITY (continued):

d) The change in warrants to employees and consultants into shares in 2023 and 2022:

	2024		2023		2022	
	Number of options	Average exercise price	Number of options	Average exercise price	Number of options	Average exercise price
Outstanding share options at beginning of year	145,538	43.56	138,195	59.09	145,268	56.77
Share options exercised	-	-	-	-	(31,263)	13
Share options expired or forfeited	(13,931)	44.06	(29,958)	60.80	(39,710)	54.54
Share options granted during the year	157,577	5.02	37,301	10.11	41,658	49.75
Outstanding share options at end of year	287,184	16.41	145,538	43.56	138,195	59.09

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:

	2024	2023
Dividend yield	0%	0%
Expected volatility	58%-56%	101%
Risk-free interest	4.5%	4.5%
Expected period to exercise	7	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:

a. Information about accounting policy

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.

NOTE 9 - TAXES ON INCOME (continued):

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 revered 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.

b. Additional information

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 42 million as of December 31, 2024.

c. Note about 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:

	Year ended December 31		
	2024	2023	2022
	NIS in thousands		
Loss before tax	(10,704)	(13,263)	(13,693)
Statutory tax rate	23%	23%	23%
Tax calculated based on statutory tax rate	(2,462)	(3,050)	(3,149)
Non-deductible expenses	(77)	(358)	(444)
Loss for tax purposes not recognized as deferred taxes	2,539	3,408	3,593
	-	-	-

NOTE 10 - RESEARCH AND DEVELOPMENT EXPENSE, NET:

	Year ended December 31		
	2024	**2023**	**2022**
	NIS in thousands		
Consultants	2,345	3,926	5,460
Payroll	4,086	5,124	6,033
Other	1,055	1,377	1,315
Purchasing	893	2,452	3,273
Participation in expenses - see b.	-	(1,697)	(3,507)
	8,379	11,182	12,574

a. Accounting policy for government grants

Government grants received from the Israel Innovation Authority in the Ministry of Economy (hereinafter – the "Innovation Authority") as participation in research and development activity of the Company (hereinafter – 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" (hereinafter – 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"), 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 at 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 is recognized in profit or loss as a reduction of research and development expenses.

b. Additional information

Management reached a conclusion that there is reasonable assurance that the Innovation Authority Grant will not be repaid, and therefore, the Grant was recognized on that date in profit or loss as a reduction of research and development expenses.

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).

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).

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

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

In November 2022, the Company received an approval of the Innovation Authority to a grant under a research and development plan that the Company filed for 2023-2024. 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).

As of the date of approving these financial statements, the grant was received in full.

NOTE 11 - ADMINISTRATIVE AND GENERAL EXPENSES:

	For the year ended December 31		
	2024	2023	2022
	NIS in thousands		
Payroll and related expenses	1,286	1,248	2,680
Professional services	1,110	818	1,098
Other	315	407	494
	2,711	2,473	4,272

NOTE 12 - MARKETING EXPENSES:

	For the year ended December 31		
	2024	2023	2022
	NIS in thousands		
Payroll and related expenses	-	47	463
Events and trade shows	-	142	563
Other	195	184	883
	195	373	1,909

NOTE 13 - LOSS PER SHARE:

a. Information about accounting policy

Earnings (loss) per share are 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).

b. Basic

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

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS in thousands		
Loss for the period	(10,704)	(13,263)	(13,693)
Weighted average of the number of issued ordinary shares	2,237,676	2,193,290	2,134,376
Basic loss per share (NIS)	(4.78)	(6.05)	(6.42)

c. Diluted

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

	For the year ended December 31		
	2024	**2023**	**2022**
	NIS in thousands		
Total loss for the period, used for calculating basic loss per share	(10,704)	(13,263)	(13,693)
Adjustments for revaluation of liability warrants	-	-	(3,934)
Total loss used in calculation of loss per share	(10,704)	(13,263)	(17,627)
Weighted average of the number of shares used for calculation of basic loss per share	2,237,676	2,193,290	2,134,376
Adjustment for diluted options	-	-	23,275
Weighted average of number of shares used in calculation of loss per share	2,237,676	2,193,290	2,157,651
Diluted loss per share (NIS)	(4.78)	(6.05)	(8.17)

In the calculation of diluted loss per ordinary share for the reported years, employee and investors 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, and board members. In the years ended December 31, 2023 and 2022, 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 above.

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

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

e. Benefits to key management personnel of the Company (*)

	For the year ended December 31		
	2024	2023	2022
	NIS in thousands		
Salary and related benefits to CEO (**)	919	660	1,218
Consulting fee and related benefits to Chairperson of the Board	200	287	430
Remuneration and related benefits to directors (***)	171	130	183
	1,290	1,077	1,831

* Including share-based payment

** In terms of cost to the employer.
The monthly salary of the CEO was reduced by 25% beginning on January 1, 2023 and until the parties agreed otherwise.

*** Refers to four board members. One director waived his remuneration effective December 2022.

On March 26, 2023, the board approved an amendment to the engagement agreements with the CEO and Chairperson, and an amendment to the terms of service of an additional director. That reduction will be accumulated and is expected to be paid to them retroactively if certain qualifying events take place. The reduction came into effect on January 1, 2023. On June 25, 2024, the board of directors approved that reduction to stay in effect until the end of 2025.

As of the date of the statement of financial position and the date of issuing these financial statements, the Company is unaware of any qualifying event taking place, and therefore, did not create a provision in the financial statements.

In 2024, 2023 and 2022, the total value of benefit for options granted to directors was NIS 115 thousand, NIS 209 thousand and NIS 328 thousand, 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).

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.

NOTE 15 - ENGAGEMENTS: (continued):

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.

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")

On December 23, 2019, the Company engaged with BBB in a joint development and collaboration agreement (hereinafter in this section: "the Agreement" or "the Development Agreement"), whereby the parties committed to cooperate in the development, design and assessment of hamburgers using the cartridge system of the Company (hereinafter in this subsection: "**the Product**"), and do so in according to a three-year development plan that was set in place in the Agreement. Within the development plan, it was agreed that BBB would provide the Company access to its restaurants and branches and allow the company to examine its operating methods for product characterization. BBB would provide the Company feedback on the Product and its taste. When the Product of the Company reaches the alpha and beta test phases, the Company would provide BBB systems and cartridges for its use and for selling the Product in some of its restaurants simultaneously. For that end, the Company granted BBB a license for the development systems regarding the systems and the use of them.
It was additionally agreed that the parties would be each other's exclusive partner regarding the development of the Product and its sale in hamburger restaurants in Israel for the duration of the development program, and that each of the parties would bear its own expenses arising from satisfying its commitments under the development plan. The obligations of BBB, including services of the chain's chef to the development program, will be performed to the extent set in the Agreement.
In early 2022, the parties completed the development plan stage. On August 29 2024 , the Company notified BBB that the agreement was terminated, in accordance with its terms and conditions.

NOTE 15 - ENGAGEMENTS: (continued):

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 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 set to have a term of one year and it continues to be renewed from time to time for additional periods as agreed by the parties in order to enable them to complete the commercial exposure as planned, and continue preparations for the future business cooperation between the parties, as may be agreed upon and under the terms agreed.

As of the date of this report, the agreement formally extended until August 19, 2025. However, the parties continue to negotiate (at this stage those are not concrete) any cooperation going forward and its nature.

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. The pilot period has ended, and as of the date of this report, a commercial agreement has yet to be signed with the Yarzin-Sella group.

NOTE 16 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT:

<u>Information about accounting policy – financial assets</u>
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, 2024, the Company has only financial assets at amortized cost, under "cash and cash equivalents" and "other receivables" items in the statement of financial position (see notes 4 and 5).

<u>Information about accounting policy – financial liabilities</u>

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.

<u>Derecognition of financial liabilities</u>

The Company derecognizes a financial liability when and only when such liability is settled, i.e. when the obligation specified in the contract is matured, canceled or expired.

The financial liability is settled when the debtor repays the liability by cash, other financial assets, goods or services or is legally released from the obligation.

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

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.

	Change	Equity	Net income
		NIS in thousands	
December 31, 2024			
Increase in exchange rate	2%	89	89
Increase in exchange rate	1%	177	177
Decrease in exchange rate	(1%)	(89)	(89)
Decrease in exchange rate	(2%)	(177)	(177)
December 31, 2023			
Increase in exchange rate	2%	202	202
Increase in exchange rate	1%	101	101
Decrease in exchange rate	(1%)	(101)	(101)
Decrease in exchange rate	(2%)	(202)	(202)

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, 2024, 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.

NOTE 17 - INVESTMENTS IN AN ASSOCIATE:

On October 6, 2021, the Company and Egg'N'up Ltd (which was created by the Company for the purpose of this engagement) entered into an agreement with Millennium Food-Tech Limited Partnership – an interested party of the Company by virtue of its holdings (hereinafter: "Millennium") – for investment in a plant-based egg substitute that the Company developed using its proprietary cellulose fibers.

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 a proprietary, unique and advanced digital system, while taking advantage of this business opportunity and continuing development of the egg substitute by Egg'N'up Ltd.

To achieve that, the Company transferred to Egg'N'up the knowhow and technology needed for producing the egg substitute, including a right to engage with Yissum Research Development Company of the Hebrew University, in exchange for allocation of shares. The agreement covers additional matters, such as adoption of the equity-based compensation plan, ownership over the intellectual property developed by Egg'N'up Ltd, a sublicense granted by the Company to Egg'N'up Ltd for the continued development of the new product, the system for providing raw material from the Company to Egg'N'up Ltd, and royalties payable to the Company upon selling the product and/or granting sublicenses, indemnification, etc.

According to the investment agreement, Millennium received preferred shares, which provides it rights to participate in decision making regarding activities that have material impact on the returns of Egg'N'up Ltd. Therefore, this investment is accounted for using the equity method (in light of shareholding and board representation). Additionally, Millennium received an option to make additional investments in Egg'N'up Ltd.

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 that investment).

The total accumulated investment in Egg'N'up as of December 31, 2023 is $2.34 million. After 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)).

On November 19, 2023, Egg'N'up Ltd entered into a SAFE (Simple Agreement for Future Equity) under which shares of Egg'N'up Ltd (as this term is defined in the agreement) will be issued to the investor – a foreign private corporation – in exchange for a $200 thousand, which was received in December 2023. Shares have not been issued in accordance with this agreement.

As of December 31, 2023 and 2024, as the share of the Company in the loss of Egg'N'up Ltd exceeded its rights therein, and the Company has no legal or constructive obligation in connection to its investment, the balance of that investment was written down to zero.