



ECOPPIA SCIENTIFIC LTD.

ANNUAL REPORT 2021



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Chapter A

Description of the company's business and activity





CHAPTER A – DESCRIPTION OF THE COMPANY'S BUSINESS AND ACTIVITY

PART ONE: DESCRIPTION OF THE GENERAL DEVELOPMENT OF THE CORPORATION'S BUSINESS

Definitions

For the sake of convenience, the following are key terms used in this chapter:

"Evermore"	Evermore United S.A., a company incorporated in the British Virgin Islands;
"Renewable Energy"	Energy derived from continuous processes and natural resources which are not depleted as a result of harnessing the energy stored therein, as opposed to energy sources such as fossil fuels, the use of which involves a significant reduction in the energy stored therein;
"Photovoltaic Energy"	Energy produced by the absorption of sunlight and its conversion into electrical energy through the photovoltaic effect which is known as a physical and chemical phenomenon;
"Ecoppia" or the "Company"	Ecoppia Scientific Ltd., including its subsidiaries ¹ ;
"Ecoppia India"	Ecoppia Scientific LLP;
"Ecoppia AI"	A cloud-based management platform that feeds on information retrieved from robot fleets and external sources for achieving optimal operation;
"TASE "	Tel Aviv Stock Exchange Ltd.;
"Gigawatt" or "GW" and "Megawatt" or "MW"	A unit of power equal to one billion watts and a unit of electrical power equal to one million watts, respectively, specifically used as a measure of the output of energy production;
"Financial Statements"	The consolidated financial statements of the Company for the period ended December 31, 2021, appended as Chapter C of the Periodic Report;
"Periodic Report" or the "Report"	The Company's periodic report for 2021;
"Power", "System Power" or "Installed Capacity"	The power output of solar panel photovoltaic installations (in DC terms) ¹ ;
"Subsidiaries"	Ecoppia India and Evermore United;

¹ Output in direct current terms reflects the power output of the installed panels, which effectuate the power generation.



"Companies Law"	The Companies Law, 5759-1999;
"Securities Law"	The Securities Law, 5728-1968;
"Cloud Technology"	A technology that centralizes computer resources, usually through server farms, for allocation to users on demand, without the direct involvement of users;
"Photovoltaic facility", "Photovoltaic systems", "Solar facility", "Solar systems" or "PV"	A facility or system that absorbs sunlight rays and is able to convert sunlight rays into electrical energy by the photo (light) voltaic (electromotion) effect, which is a physical-chemical phenomenon;
"Robotic system E4"	Robots designed for cleaning solar panels of the ground-mounted fixed tilt solar PV installations type;
"Robotic system T4"	Robots designed for cleaning solar panels of the single axis trackers ("SAT");
"Robotic System H4"	Robots under the Company's development, designed for cleaning solar panels in Ground Mounted Fixed Tilt Solar PV installations;
"RF Communication"	Wireless communications for the transmission of electrically transmitted information by means of radio frequency;
the "Prospectus"	Supplementation Prospectus and Shelf Prospectus of the Company, published on November 23, 2020 (Reference 220-01-117304);
"Ground Mounted Fixed Tilt Solar PV installations"	Ground-mounted photovoltaic installations with a fixed or seasonal configuration;
"O&M"	Operation and maintenance;
"Single Axis Trackers (SAT)"	Photovoltaic devices built with solar tracking technology (solar panels moving by means of a motor on an axis);
"Utility-scale solar" or "Utility-scale projects" or "Utility-scale solar installations"	Solar installations with photovoltaic technology on a utility-scale that produce a high amount of solar energy, usually over 5 megawatts and are connected to the electricity grid.

1. **The Company's Activity and Description of the Development of Its Business**

1.1 **General**

- 1.1.1. The Company - Ecoppia Scientific Ltd. was incorporated in Israel and began its operations on January 7, 2013, as a private limited company, in accordance with the provisions of the Companies Law. Following an initial public offering of securities of the Company under the Prospectus and listing the Company's securities on the TASE for trading, in November 2020, the Company became a "public company", as this term is defined in the Companies Law.



- 1.1.2. The Company was founded by Mr. Moshe Meller and Mr. Eran Meller. Over the years since its establishment, the Company and its shareholders entered into investment agreements with domestic and international investors: Swarth Group, Ligov Ltd., CIM Group, Harel Insurance and Finance Ltd, Gandir Ltd. and other investors. For information about the holdings of interested parties in the Company, see the Company's immediate report as of January 4, 2022 (Ref No.: 2022-01-002137).
- 1.1.3. The Company holds two private subsidiaries: Ecoppia Scientific LLP which is a limited partnership incorporated in India in August 2016; and Evermore United SA, which is a private company incorporated in October 2014 in the British Virgin Islands (BVI). For more information about these subsidiaries, see Section 1.4 below.
- 1.1.4. As of the Prospectus date, the Company is engaged, directly and through subsidiaries, in the development, sale and maintenance of technological solutions using robotic systems for cleaning utility-scale solar facilities located in arid areas. The Company is currently active in several countries around the world, with most of its operations in India and Israel. As of the Report date, the Company provides its customers with three types of robotic systems² based on cloud technology. The systems are operated and remotely controlled and enable a frequent and efficient cleaning operation that improves the energy production process from the solar systems while reducing costs and resources involved in manual cleaning methods. In addition, the Company provides its customers with ongoing and long-term maintenance and technical support services for its products. For further details regarding the Company's area of activity, see Section 0 and the Part Three of this chapter below.
- 1.1.5. The Company's operations focus on utility-scale type facilities connected to the electric grid which generate electricity through renewable energy using photovoltaic (PV) technology. Due to the availability of land and high solar radiation levels, many utility-scale sites are built in dry and remote areas, which along with the advantage of optimal radiation levels encounter a significant operational obstacle resulting from dust and sand accumulating on the panels which may lower electricity production by significant percentages (About 11% in areas devoid of rain)³. These areas are also often characterized by a shortage of water sources, and therefore the operational challenge of keeping the solar panels clean in favor of optimal production of electricity is even greater.
- 1.1.6. As of the Report date, the Company's customers include international and Israeli companies operating in the renewable energy market, mainly in the initiation and operation of utility-scale photovoltaic facilities (of the utility-scale solar type). In some cases, the Company contracts with its customers during the planning and construction

² It should be noted that as of the publication date of the Report, the H4 Robotic System is under development and the Company started marketing of the robotic system to its clients. (For further details, see Section 8 below).

³ International Renewable Energy Agency ("Irena"), Future of Solar Photovoltaic:

https://irena.org/-/media/Files/IRENA/Agency/Publication/Nov/IRENA_Future_of_Solar_PV



phase of the photovoltaic facility while providing advice on adapting the site's design to the installation of the Company's systems, and in some cases the Company contracts with the customer following the facility's construction.

- 1.1.7. The global energy production industry, through photovoltaic facilities in general, and through utility-scale facilities in particular, has been on a growth and development trend for years⁴ and therefore, in the Company's opinion, the potential for expansion is large, including existing large sites in relevant areas as well as new sites that are being added every year. According to estimates and studies, the photovoltaic market is expected to continue growing at a high rate over the coming decades, both in terms of the number of sites and in terms of their scope. This trend highlights the need for technological solutions that enable the operation and maintenance of sites on an increasing scale, where the manual maintenance of such sites is very challenging and uneconomical. Therefore, among other things, there is a growing need for a mechanized cleaning operation of the solar panels. For details on the development of the PV industry, see Section 6.1 below.
- 1.1.8. As of the Report date, the Company is in opinion that the unique characteristics of the solutions offered by the Company in relation to other existing solutions in the market, the Company's collaborations with significant companies in the field of renewable energy, existing orders as well as the proven experience gained during its eight years of operation, positions the Company as a world leader in the field of dry robotic cleaning of solar panels in utility-scale facilities. The Company presents significant advantages, both in relation to the "traditional" manual cleaning alternatives that are not sufficiently adapted to the needs of large-scale sites and in relation to technological solutions developed by other companies. Although there are a number of companies developing automatic or semi-automatic solutions for cleaning solar panels, to the best of the Company's knowledge, most of them have lesser commercial experience compared to that of the Company. However, and as shall be specified hereunder, the Company faces increasing competition in the field of PV robotic cleaning from companies that offer competitive prices while the Company acts to produce more cost-effective and efficient solutions for its clients.
- 1.1.9. The Company's business model is based on long-term contracts with customers as part of a comprehensive package of products and services in which the Company provides its customers with an efficient long-term technological solution that does not involve energy, water and manpower resources to clean the solar panels in the facility as well as ongoing support and maintenance services for the entire period of use of the Company's systems.
- 1.1.10. The Company's growth is mainly driven by the significant global increase in the construction of photovoltaic facilities and as a result of the existing market potential of

⁴ U.S. Energy Information Administration ("EIA"):
<https://www.eia.gov/energyexplained/solar/where-solar-is-found.php>



completed photovoltaic facilities which together constitute a potential for the installation of the Company's systems. In most cases the Company enters into direct sale agreements or framework agreements with the PV power plant developers. As of the Report date, the Company has entered into direct agreements with customers for the installation of robotic systems that have been installed or are in the process of being installed with a total capacity of 1,726 Megawatts and in addition, it entered into framework agreements and memoranda of understanding for the installation of its systems in facilities at a scope of approximately 15,750 Megawatts (subject to certain terms, as specified in Section 10.3 below), of which 1,940 Megawatts have been installed or are being installed (meaning, the Company has projects that have been or are being installed at a capacity of approx. 3,660 Megawatts).

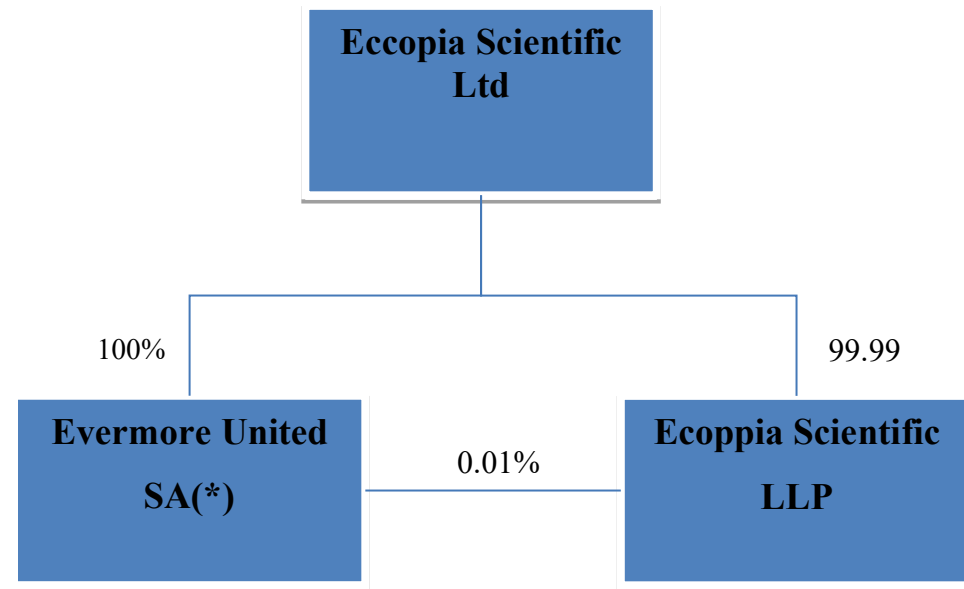
- 1.1.11. As of the date of this Report, most of the Company's operations are carried out in India and Israel, and the Company also has operations in Chile, the United States, Mexico and other countries in the Persian Gulf. As part of the Company's growth process and the expansion of its operations, the Company is striving to accelerate and expand the scope of its operations in the relevant areas in other countries as part of its strategic vision to expand its operations and maintain its position as a key and significant player in the relevant markets. Among other things, the Company is considering entering additional areas that are contiguous and complementary to its area of activity.

The stated in Section 1.1 above about the Company's plans and assessments in connection with its operations is Forward-Looking Information, as defined in the Securities Law, based on information beyond the control or beyond the sole control of the Company, and which is not certain. Results in practice may differ materially from the aforementioned Company assessments, inter alia, if a change occurs in one or more of the risk factors bound in the Company's operations, listed in Section 30 below.



1.2 Structure of the Company's Holdings

The following is a diagram of the structure of the Company's holdings, as of the Report date:



(*) Held by a corporation that holds the Company's shares in trust.

1.3 Material Events during the Report Period and in the Period until this Report

1.3.1 On January 27, 2021, the Company's Board of Directors approved the development of a new H4 Robotic System designed for cleaning long arrays of solar panels. The H4 system is expected to have higher cleaning speed and cover ability, and the production costs of this system are lower comparing to the existing products of the Company. Accordingly, the prices of this system as well as the costs involved with installing them in solar parks are expected to be lower for the Company's customers.

Throughout the term of the Report, the Company has invested significantly in development of the H4 system and started marketing it to its customers. The H4 system is a dual system which is expected to be suitable for both fixed tilt and SAT solar projects, and in particular projects that have long, continuous lines of panels. At the Company's evaluation, upon completion of development, the H4 system is expected in



certain cases to replace the E4 system in fixed tilt solar projects, in parallel with the T4 system which is designed for SAT solar projects. In January 2022, the Company entered into an agreement with a customer for the sale of its systems, *inter alia*, the H4 system, and it is expected to start supplying these systems during Q4, 2022. For further details regarding the agreement, see Section 1.3.6 below.

For further details regarding the H4 system, see Section 8.1 below.

The abovementioned information regarding the development of the new robot, its performance and its production costs is Forward-Looking Information, as defined in The Securities Law, which is uncertain and is based on estimates, evaluations and information the Company has as of the publication date of this Report. In view of the foregoing, the information may substantially change comparing to the above-mentioned estimations, depending on factors that are outside of the Company's control, new information to be received by the Company, and the realization of one or more of the risk factors involved with the Company's operations, as detailed in Section 30 below.

- 1.3.2 On February 11, 2021, the Special General Meeting approved the appointment of Ms. Adina Eckstein and Ms. Tal Yaron-Eldar as external directors of the Company for a three-year first term beginning on the meeting's date (February 11, 2021), their terms of office, and provision of letters of indemnification and exemption as customary in the Company. For more information, see the meeting summoning report dated January 6, 2021 (Reference 2021-01-002721) and the meeting results report dated February 11, 2021 (Reference 2021-01-017833).
- 1.3.3 On February 18, 2021, the Company entered into an agreement with an international energy company (the "**Customer**"), for the sale and installation of T4 robots and for provision of operation and maintenance services as part of an existing 18 MW photovoltaic brownfield project in Egypt (the "**Project**"). For more information, see the Company's immediate report dated February 21, 2021 (Reference 2021-01-021406), which is included in this report by way of reference. It is noted that following an inquiry by Egyptian authorities to the Customer, the Customer informed the Company that there may be delays in the installation schedules under the agreement, and as of the Report date, the Company has not started installation of the robots. In view of the foregoing and due to the time passed since the Customer's notice, as of the publication date of the Report, the Company estimates the probability of the project realization as extremely low.
- 1.3.4 An agreement of the Company with a current customer in India in a 166 MW project (in this sub-section: the "**Customer**", the "**Project**" and the "**Original Agreement**") provides a profit-sharing mechanism. The agreement stipulates, among other things, that



if the Customer sells the Project to a third party (the "**Buyer**"), the Company will be entitled to a nonrecurring payment in lieu of the profit-sharing mechanism and will be required to provide the system operation and maintenance services until the end of the project period for no further consideration.

On March 12, 2021, following the sale of the project by the Customer to the Buyer, the Company entered into agreements with the Customer and with the Buyer that govern the relations between the parties in connection with the sale of the Project ("**Project Turnover Agreement**").

In the course of 2021, the Company has recognized income totaling USD 2.2 million in connection with the Project's sale. Furthermore, the Company will continue to provide operation and maintenance services for the robotic systems that will continue operating in the Project, and notwithstanding the Original Agreement, the Company will be entitled to payment from the Buyer for these maintenance services in accordance with the mechanism prescribed in the Project Turnover Agreement.

For further details, see the Company's immediate report dated March 14, 2021 (Reference 2021-01-032973), included in this Report by way of reference.

- 1.3.5 On December 31, 2021 the Company entered into an agreement with Azure Power Maple Private Limited, which is one of the Company's material customers (in this subsection: the "**Agreement**" and the "**Customer**", respectively), as part of materializing a framework agreement signed with the Customer in 2020, for the sale of robots and providing maintenance services for a photovoltaic project expected to be constructed in India (Greenfield) at a capacity of approx. 400 MW (the "**Project**"). This unique Project includes two types of installations, both fixed tilt and SAT configurations. Under the Agreement the Company will provide autonomous robotic systems of various types (E4, T4 and H4) (the "**Robots**"), which are controlled by the Company's AI platform. This is the first agreement of its kind (combining various robotic solutions on one site) such that each of the types of system provides an optimal solution – both in terms of quality and financially – to the Customer's needs. In addition, this is the first agreement under which the new robotic system, H4, which is developed by the Company, is being sold. Moreover, the Company will provide the Customer with maintenance services to the robots for a 25-year term, starting on the completion date of installing the robots in the Project. The Company estimates that the total income expected for the Company under the Agreement, throughout the life of the Project, assuming that the maintenance services will be provided throughout the period, is approx. USD 6.84 million out of which approx. USD 2.1 million for the sale and installation of the Robots.

For details regarding the characteristics of engagement with the Company's customers, see Section 10.2 below. For further details see the Company's immediate report of



January 2, 2022 (Ref No.: 2022-01-000577), included in this Report by way of reference.

The abovementioned information regarding the Company's projected income is Forward-Looking Information, as defined in the Securities Law, which is based on uncertain information and on estimates, evaluations and information the Company has as of the publication date of this Report. The actual results may be substantially different from the above-mentioned Company's estimations, inter alia, should any change occur in one or more of the risk factors involved with the Company's operations, as detailed in Section 30 below.

- 1.3.6 On January 20, 2022, the Company entered into a binding framework agreement with a customer (the "Customer") for the exclusive installation of the Company's systems (E4, T4, H4 or other systems to be developed by the Company during the term of agreement, in Solar Facilities to be constructed by the Customer in certain countries in Europe, Latin America, and North America, at a total capacity of 1,000 Megawatt and for providing maintenance services to these systems. The agreement is for a 4-year term as of the execution thereof, and it may be extended with the parties' consent. If the agreement is fully realized, it may produce for the Company income at a volume of more than the USD 20 million from the sale and installation of the Company's systems and from their maintenance for 25 years.

For details regarding the framework agreement, see Section 10.3 below. For further details see the Company's immediate report of January 23, 2022 (Ref No.: 2022-01-010075), included in this Report by way of reference.

It is clarified that as of the Report date, it is impossible to estimate the scope of sales realized by virtue of the framework agreement, inter alia, in view of the uncertainty as for the scope of facilities to be set up by the Customer, if any. The Company's estimates, specified above in this section, regarding the realization of entering into the framework agreement and the scope of income expected for the Company, are Forward Looking Information, as defined in The Securities Law, which is uncertain and is based on estimates, evaluations and information the Company has as of the publication date of this Report. In view of the foregoing, this information may substantially change comparing to the above-mentioned estimations, inter alia, should any change occur in one or more of the risk factors involved with the Company's operations, as detailed in Section 30 below.

- 1.3.7 On February 1, 2022, the Company entered into an agreement with an unrelated third party which constitutes part of the energy division of an international investment fund (in this sub-section: the "Agreement" and the "Customer", respectively), as part of materializing the framework agreement signed with the Customer in 2018 for the sale of



robots and providing maintenance services for a photovoltaic project expected to be constructed in India (Greenfield) at a scope of approximately 150 MW (the "**Project**").

The Agreement includes provisions with respect of the sale and installation of the Company's E4 robots and the rendering of maintenance services to the robots for a 25-year term, starting on the completion date of installing the robots in the Project. At the Company's estimation, the installation of such robots is expected to take place in the course of 2022 according to milestones set by the Company and the Customer. The Company estimates that the total income expected for the Company under the Agreement, throughout the life of the Project, assuming that the maintenance services will be provided throughout the period, is approximately USD 3 million.

For details regarding the characteristics of engagement with the Company's customers, see Section 10.2 below. For further details see the Company's immediate report of February 2, 2022 (Ref No.: 2022-01-012720), included in this Report by way of reference.

The abovementioned information contained in this section regarding the projected date for the installation of the robots and the Company's projected income is Forward-Looking Information, as defined in the Securities Law, which is based on uncertain information and on estimates, evaluations and information the Company has as of the publication date of this Report. The actual results may be substantially different from the above-mentioned Company's estimations, inter alia, should any change occur in one or more of the risk factors involved with the Company's operations, as detailed in Section 30 below.

1.3.8 Effects of the COVID-19 Events on the Company's Operations

During the month of December 2019, the COVID-19 coronavirus epidemic broke out, initially in China, and later worldwide. The COVID-19 outbreak caused uncertainty in the global economy and economic damage following the shutdown of many businesses, a slowdown in production and a delay in shipment and domestic and international transportation.

Towards the end of 2020, authorities in the United States Europe approved the use of vaccines that had been developed to combat COVID-19 infections. In December 2020, several countries started operation to inoculate their populations against the virus.

In the course of April and May 2021 and following the spread of the Delta variant of the Coronavirus in India, there has been a substantial increase in contagion rates and the authorities have imposed restrictions on the movement of civilians and on economy activity. However, in the course of July 2021 the number of daily contagious cases has significantly decreased, and the restrictions imposed on the economy in India have been partly removed.



In the course of January and February 2022 and following the spread of the Omicron variant of the Coronavirus in India, there has been once again an increase in contagion rates and the authorities have imposed regional restrictions on the movement of civilians and on economy activity. Shortly prior to the publication date of the Report, with the decrease of contagion rates, such restrictions have been removed.

At this point of time, it is not possible to assess the duration and intensity of the crisis and its full implications for the Company's operations and results, as well as the rate of implementation of the relief measures in various and the extent of their effect on the recovery from the economic crisis in the current circumstances.

Effects of the Coronavirus Crisis on the PV Installations Market

In 2020 and 2021, also due to the effects of the outbreaks of the coronavirus pandemic and the restrictions on movement in various countries, some delays were caused in the construction process of photovoltaic facilities in many countries worldwide, which left unchanged the global forecasts for significant growth in this industry, together with some degradation of short-term added capacity.

In addition, in the course of 2021, also due to the coronavirus crisis, global shortage began of goods and raw materials, in particular electronic components, which caused disruptions in the supply chain and a decrease in the volume of investments in PV Facilities during this period. As a result of said shortage and the increase in transportation and sea freight costs, there was a global price increase of the costs of raw materials and electronic components⁷.

Nevertheless, according to estimates, the photovoltaic market will continue to grow and develop in the coming years in spite of the coronavirus crisis. This is in part due to the expansion of this market around the world and the adoption of supportive and firm policies by many governments.

Effects of the Coronavirus Crisis on the Company's operations

Among the effects of the coronavirus crisis on the Company, there is the direct impact on the target countries where most of the Company's operations are carried out as of the Report date – India and Israel – which have been significantly affected by the crisis and are still dealing with it.

The consequences of the coronavirus crisis affected the Company's operations as described below:

- A. Installation of the Company's systems – as of the Report date, the effects of the spread of the coronavirus, mainly in India and in other countries in which the Company operates, are particularly expressed in a significant slowdown in completing the construction of Photovoltaic Facilities in many countries. Such

⁷ <https://www.cambridgewireless.co.uk/news/2021/jun/21/component-shortage-in-the-electronics-manufacturin>



slowdown may cause a further delay in new and existing engagements with customers, which may affect the Company's ability to install robotic systems at the customer's site at the times planned by the Company.

In addition, towards the end of 2020 and during 2021, the Company was successful in completing several installations placed in the course of 2019 and 2020 the installation of which has been delayed due to the Coronavirus crisis and the restrictions and lockdowns imposed on the population in India.

- B. Company revenues and order backlog – installation of the Company's robotic systems in the solar facilities of its customers is generally performed in the final stage of construction of the solar facility, constituting the final link in the operation chain of the solar facilities. Consequently, delays in the construction of the Solar Facilities (which are not dependent on the Company) are expected to cause delays in the installation of the robotic systems in the customers' facilities, hence also in revenue, which is generally recognized upon delivery.

Resulting from the Coronavirus crisis were delays in the Company's entering into new contracts (among others, due to market uncertainty regarding the construction dates of facilities and customers prioritizing management of the effects of the Coronavirus over new business with the Company); in performing contracts with clients by virtue of framework agreements and memoranda of understanding. It is also noted that the operation of systems that have already been installed by the Company as well as income deriving from these services, have not been materially affected as a result of the crisis.

Against this backdrop, as of the Report date, the Company updated its revenue forecast in connection with customer orders as part of the order backlog for sale and installation of its systems and the provision of operation and maintenance services for them (for more information, see Section 12 below).

For more information about the Company's revenues in 2021, see Section 1.5 of the Board of Directors' Report and Note 15 in the Company's Financial Statements.

- C. Manufacturing the Company's systems – as of the Report date, following the slowdown in entering into new contracts as aforesaid, during the period of the Report, the manufacturing activity of the Company's systems decreased accordingly, after it resumed regular production since May 2020. If other lockdowns are imposed in other countries in which the Company operates, a slowdown or halt in the production of the Company's systems may occur.

In addition, as of the Report date, following the global crisis of goods, there has been a shortage in raw materials and electronic components of the type required for the manufacture and assembly of the Company's systems (including metals, aluminum, chips, solar panels, and other products). The global shortage causes a



significant increase in the prices of raw materials and in the costs of transportation prices, which affects the production cost of the robotic systems manufactured by the Company and reduces the gross profit rates of products.

The shortage in raw materials and components poses a risk to the continued production of the Company's products and its ability to meet demands of the orders expected for 2022 and 2023.

- D. Marketing and distribution – the extensive restrictions imposed from time to time because of the coronavirus epidemic have led to the adaptation of the Company's marketing activities accordingly. Among other things, industry face to face events are not taking place and transformed into digital events of which marketing effectiveness is unknown. In addition, due to restrictions imposed on international travel since the crisis outbreak, in most cases the Company has been unable to hold meetings with its customers and with prospective customers, although some of the meetings were held digitally (video calls and conference calls). As of the Report date, most of the restrictions on international crossing have been removed, but such frontal events have not yet been fully resumed, following repeating outbursts of the Coronavirus.

In view of the foregoing, since the outbreak of the global coronavirus crisis, the Company has been carrying out extensive risk management processes and acting across all levels of its operations to deal with issues and/or events related to this period and its possible consequences. In order to reduce the effects of the crisis, the Company has been executing, among other things, the following actions:

- i. Maintenance work: the Company's maintenance activity of its systems installed at customer sites in India and Israel was defined as essential and therefore this activity is continuing as scheduled from the onset of the crisis.
- ii. Enhancing the financial structure of the Company by capital raising: the recent fund-raising rounds performed by the Company, including the issuance it made in November 2020, enhance its financial stability and allow it to promote its business strategy.
- iii. Raw materials: the Company management regularly estimates the shortage in raw materials for the purpose of continued and consecutive production of the robotic systems, so as not to damage the Company's ability to meet its customer's orders. It is noted that the Company holds a stock of products and raw materials, as specified in Section 19.4 below and that during Q3 2021 the Company began purchasing excess inventories of components whose availability is low and supply times have significantly increased, in order to try and reduce delays or postponements in the supply dates of the robotic systems to its customers. In addition, with regard to raw materials and goods whose availability on the market is very low or non-existent,



the Company makes its best efforts to find alternative solutions by using other components which are available to the Company.

- iv. Business Development: The Company continues to explore opportunities for business development and is acting to advance business opportunities in the Israeli and international markets. The Company believes that the crisis will create additional business opportunities as investments in Renewable Energies by various countries and entities continue to increase, and the shift by investors to the Renewable Energy industry in general and to Photovoltaic Facilities in particular.
- v. Marketing activity: because of the coronavirus crisis, and as part of the entire industry's transition to digital events, most of the Company's marketing activities take place online, with the Company holding virtual meetings with prospective customers. Upon the removal of the restrictions on international crossing, the Company has continued with its marketing efforts by meeting with various entities in the sector of energy and PV Facilities and participation in marketing conferences and events in the area of activity.
- vi. Human resources: the coronavirus crisis has caused a widespread crisis in the business sector; thus, many businesses have been required to reduce wage costs, employee numbers, and in some cases, companies have had to shut down their activities completely. Consequently, many quality employees are seeking new careers move between companies. The Company is taking advantage of the crisis to hire high-quality workers and managers to support the continued development of the Company's products and their sale to existing and potential customers. The Company intends to continue with its efforts to recruit quality employees in all relevant departments, for the purpose of the continued expansion and development of its operations.

From an environmental perspective, the crisis seems to have highlighted humanity's exposure to global natural events, the positive environmental effects of the restrictions imposed because of the crisis, including reduction in air pollution, and the importance of adopting policies that promote economic growth alongside promotion of environmental benefits¹¹. Accordingly, as part of the global need to address the effects of the crisis and the restrictions imposed, there is a global trend among governments to accelerate the transition to renewable energy, the regulations which supports these trends and the increasing demand for "green energy" even after the crisis is over. In the short term, preference for "green" investments, including construction of solar facilities, may support growth in the labor market and reduction in greenhouse gas emissions.

¹¹ Barclays Investment Bank: <https://www.investmentbank.barclays.com>;
International Monetary Fund, Climate Change, Green Recovery:
<https://www.imf.org/en/Topics/climate-change/green-recovery>



According to an Organization for Economic Cooperation and Development study, at least 30 member states have included measures aimed at supporting the transition to "greener" economies as part of their crisis recovery strategies. Measures taken include, among other things, grants, loans and tax breaks for research, development and deployment of clean energy as well as financial support for businesses in favor of construction of renewable energy facilities¹².

Aside from that, the restrictions imposed due to the outbreak of the coronavirus pandemic included the reduction of interaction between people. Practices that were integrated in the business environment, such as the remote provision of services, highlight an accelerating trend of transition to automation and digitization of services. This trend has raised the need for the use of automated solutions that enable remote control and monitoring, which are becoming more attractive and more necessary for owners of PV facilities. In general, the transition to automation of services may be a crucial factor in the ability to provide essential services under the health-social constraints caused by the crisis¹⁴.

As of the Report date, the Omicron variant is the most outspread Coronavirus variant in the world whose impact on public health is moderate comparing to the Delta variant and its predecessors. Many governments around the world have started removing activity and movement restrictions that applied throughout the global Coronavirus crisis and we a trend of "going back to normal" can be observed. However, and in view of the Company's operations in 2020 and 2021 following the Coronavirus crisis, the Company estimates that as of 2022, the set-back caused to its operations is expected to be significantly lower in commercial terms and in the Company's ability to sell its systems. Having said that, it is noted that the Coronavirus crisis has caused an acute crisis in the global supply chain resulting in shortage and increased prices of various elements used in the production of the Company's systems. This trend causes erosion in the profitability of the Company's products and in certain scenarios it may also lead to shortage in supply. The Company estimates that this trend will become more moderate in 2022.

Notwithstanding the foregoing, there is a concern that the protracted crisis and its above-mentioned affects on the sector of PV robotic cleaning in which the Company operates, will lead to further delays in the construction of solar parks and as a result to a delay in new contracts between the Company and other clients. In addition, an increase in the prices of raw materials, which are used for the production of the Company's products following the global shortage, as described above, and an increase in transportation and shipment costs of such materials, may decrease the gross profits of

¹² OECD, Policy Responses to Coronavirus (COVID-19): <https://www.oecd.org/coronavirus/policy-responses>

¹⁴ OECD, Coronavirus (COVID-19) From Pandemic to Recovery: Local Employment and Economic Development: <https://read.oecd-ilibrary.org>



the Company and have a material impact on its financial results, and in cases of severe shortage of raw materials, even cause a delay in the supply schedules of the Company's products to its customers.

The foregoing about possible effects of the Coronavirus crisis, and the Company's estimates in this regard, includes Forward-Looking Information, as defined in the Securities Law, which is based on the data held by the Company's management at the time of the Report, and which is not completely certain. Changes in Company estimates or global deterioration may affect Company estimates and they may even not materialize, in whole or in part, or materialize differently, including materially, from what was expected, also due to non-optimal assumptions and analysis, developments that cannot be fully assessed in connection with the crisis, its duration and intensity, or the occurrence of all or some of the risk factors listed in Section 30 below.

1.4 **Summary Description of the Subsidiaries and their Main Activities**

- (a) **Ecoppia India** – a limited partnership founded in August 2016 under Indian incorporation law. Ecoppia India coordinates the Company's operations in India. For more information on the Ecoppia India's organizational structure, see Section 18 below.
- (B) **Evermore United** – a wholly owned private subsidiary of the Company, founded in October 2014 under the incorporation laws of the British Virgin Islands (BVI). It holds the right to file applications for registration of the Company's intellectual property in Middle Eastern countries (excluding Israel) on behalf of the Company.

2. **The Company's Area of Activity**

As of the Report date, the Company has one area of activity which makes up a segment of activity in its financial statements, which is the development, sale, operation and maintenance of robotic systems for cleaning utility-scale solar facilities in several countries around the world, when as of the Report date, the Company's main activity is in India and Israel.

As part of its operations the Company has developed three robotic systems that are operated remotely using cloud-based platform technology. The systems provide developers and operators of utility-scale photovoltaic facilities with a technological solution for the improvement of the energy producing efficiency of the facility using robots that perform the solar panel cleaning operation autonomously, uniformly, throughout the year and in a gentle and safe manner in relation to manual cleaning alternatives. This makes it possible to save resources and preserve the energy output of the solar panels.

For further details regarding the Company's scope of activity, see Part Three below.



3. **Investments in the Company's capital and transactions in its shares**

For investments in the Company's capital and other material transactions in its shares made in the two years prior to the Report date, see Chapter 3.2 of the Prospectus, which is included in this Report by way of reference.

In the course of 2021, 331,300 (non-negotiable) options of the Company, which were allotted to Company's employees and office holders, have been realized into 331,300 ordinary shares at a total consideration of approximately NIS 267 thousand.

For details regarding the allotments of (non-negotiable) options to Company's employees and office holders, see Section 18.7 below.

Other than the foregoing, to the best of the Company's knowledge, during the period of Report, no investments were made in the Company's capital and no other material transactions in Company shares were made outside the TASE by interested parties of the Company.

4. **Dividend Distribution**

4.1 During Report period, the Company did not distribute or announce distribution of dividends.

4.2 As of the Report date, the Company has no dividend distribution policy.

4.3 As of the Report date, the Company has no restrictions on dividend distribution.

4.4 As of December 31, 2021, and as of the publication date of this Report, the Company does not have no distributable profit balance.



PART TWO: OTHER INFORMATION

5. **Financial Information on the Company's Area of Activity**

5.1 The following is a summary of the Company's financial data in its area of activity for the years 2020-2021 (in USD thousands of dollars):

	For the year ended on	
	December 31, 2021	December 31, 2020
	USD thousands	
Revenues	5,905	3,032
Fixed costs	12,136	7,432
Variable costs	7,317	4,721
Non-attributable expenses (income)	-	-
Finance expenses (revenue), net	(402)	9,749
Net loss	13,180	18,888
Total assets	99,919	111,472
Total liabilities	4,313	4,691

Details of the adjustments of the amounts listed in the table above to the amounts in the financial statements and their nature: Management refers to expenses that are of a recurring nature, such as rent, salary, finance, legal, intellectual property, etc. as fixed costs, while most of the selling costs and various suppliers and consultants costs are considered variable.

5.2 For the Board of Directors' explanations regarding developments in relation to the Company's financial data as it appears in its consolidated financial statements for the year ended December 31, 2021, see Section 1.4 of the Board of Directors' Report on the Company's Business, appended as Chapter B of this Report.

6. **General Environment and Effects of External Factors on the Company's Activity**

The following is a concise description of the main trends, events and developments in the macroeconomic environment in which the Company operates, directly and indirectly, and which to the best of the Company's knowledge and assessment have or may have a material impact on the Company's operations¹⁵.

¹⁵ With respect to the articles and publications included in this report, it should be noted that the Company did not independently examine the data and/ or forecasts and estimates contained in these sources nor did it seek approval to



6.1 The Global Solar Energy Market

The Company's activity in the development, sale and maintenance of robotic cleaning solutions for utility-scale solar facilities, in the context of the demand for products and services provided by the Company in its area of activity, may be greatly affected, among other things, by the accelerated growth trend in recent years and the growth forecasts for the coming years in relation to the transition to the use of renewable energy sources through photovoltaic installations (PV). Accordingly, global trends and developments in the electricity generation market through PV facilities as well as technological developments, changes in terms, and restrictions applicable to entities operating in this field, and other factor may affect inter alia the Company's operations, as described below.

6.1.1 The Transition to Renewable Energy through Solar Systems

The construction of renewable energy facilities has grown rapidly in recent years and continues to be a significant growth engine in the world's electricity economies¹⁶. As part of this global trend, also promoted by international bodies such as the United Nations¹⁷, many countries are encouraging the construction of renewable energy facilities and are promoting supportive arrangements in this area, with the aim of developing and integrating renewable energy into their energy economies. In addition, in recent years, one of the factors influencing the investments of large companies in the field of renewable energy around the world and the transition of corporations to the use of renewable energy is the growing awareness in the world of environmental issues.¹⁸

In 2015, the Paris Agreement on the climate was signed by more than 90% of the world's countries, including Israel, and was also ratified in the Glasgow Climate Change Conference in 2021. In the agreement, each country committed to cap pollutant emissions to a target. One way to accomplish this is including renewable power generation facilities. According to estimates of the IEA – International Energy Association, by the year 2050, about 70% of the world's electric power output will be generated through solar and wind power.¹⁹

Moreover, the era of the Coronavirus has led to a global crisis in which renewable energies have the power to become a significant power in reviving economy, society and the environment, in a process called the Green Recovery (OECD – Focus on Green Recovery).

include this information in the Report. However, the publications to which the Company refers in this report have been published in energy journals and well-known economic newspapers, which are considered reliable.

¹⁶ Forecast International's Energy Portal: <http://www.fi-powerweb.com/Renewable-Energy.html>

¹⁷ International Solar Energy Society ("ISES"): <https://www.ises.org/who-we-are/global-partners>

¹⁸ <https://www.theclimategroup.org/news/going-100-renewable-2019>

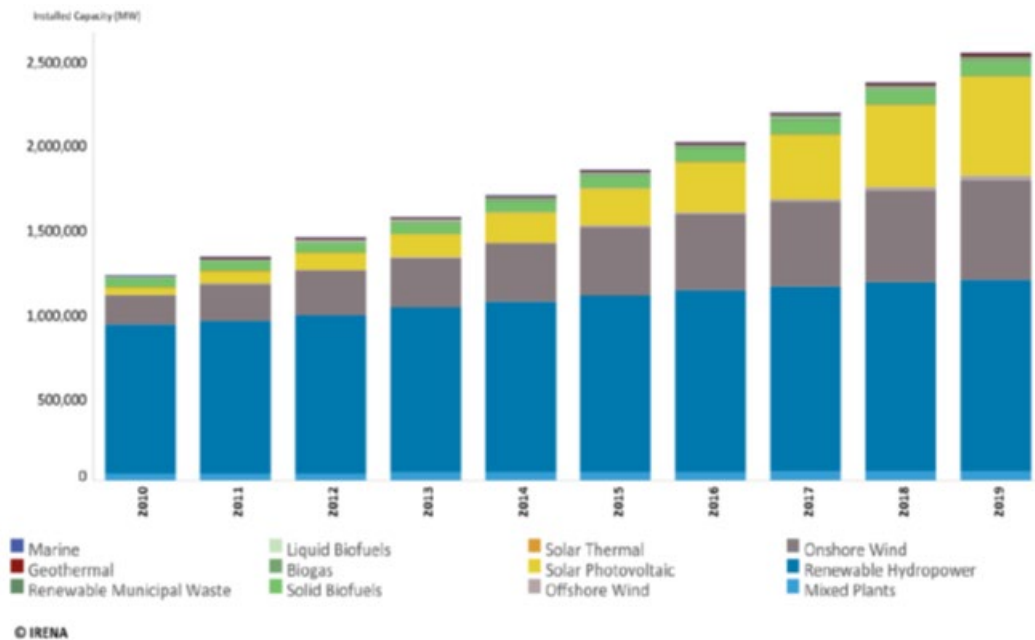
¹⁹ IEA – Net Zero by 2050, 2021: <https://www.iea.org/reports/net-zero-by-2050>



Currently, the most common solution in the world for the use of solar energy for electricity generation is photovoltaic systems,²⁰ which are based on converting solar energy directly into electricity using solar panels. For years, photovoltaic facilities have dominated the electricity generation industry worldwide through renewable energy²¹.

Below is a diagram demonstrating the cumulative installed capacity of PV facilities worldwide - historical and estimates⁵:

Global Power Output of Renewable Energy by Technology (in MW)



Global investment in renewable energy generated by photovoltaic facilities is on an upward trend worldwide: in 2019, an increase was recorded in electricity generation capacity from photovoltaic solar devices of about 22%,⁶ which represented a global growth peak in PV cell capacity. In 2020, however, due to the coronavirus epidemic, the global upward trend was moderated with a 5% increase in PV power generation.⁷ Electricity generation from solar energy in the US in 2021 increased by approximately 25% comparing to 2020. Also, according to the latest forecasts, the rate of growth in the global PV Facility market is expected to grow until 2025 by a growth rate of 8.1%.

²⁰ Empire Renewable Energy: <http://solarbyempire.com/why-solar/solar-panel-efficiency>

²¹ Irena, Future of Solar Photovoltaic:

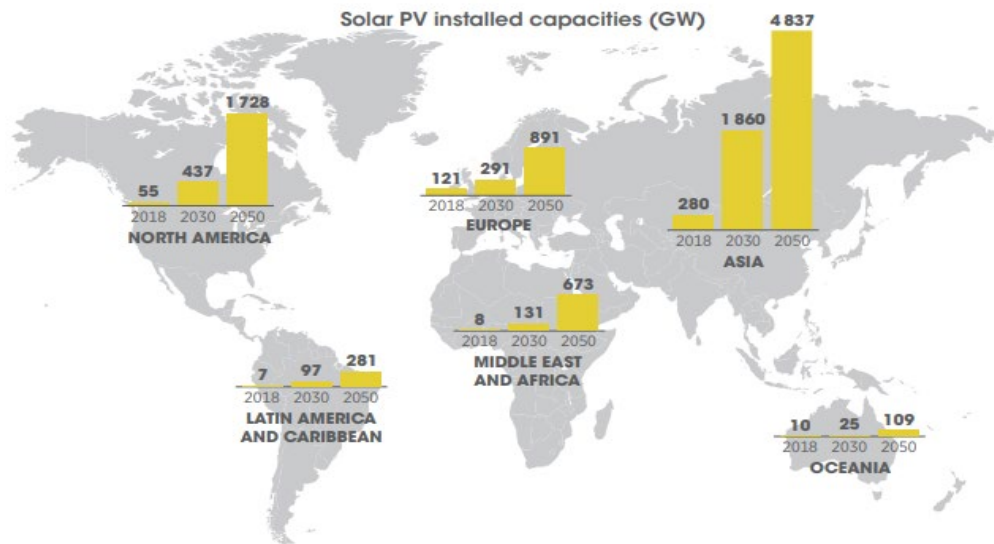
https://irena.org/-/media/Files/IRENA/Agency/Publication/Nov/IRENA_Future_of_Solar_PV

⁵ The Electricity Authority: Increasing renewable energy electric generation for 2030: https://www.gov.il/BlobFolder/reports/2030_final/he/Files_pirsumim_2030_f_10.08.2020_paper.pdf



As of 2021, most of the installed capacity of electricity generated through solar installations is located in Asian countries (mainly China, Japan and India) and North America (mainly the US)⁸. According to forecasts, Asian countries will continue to lead in the amount of energy generated through solar installations, which in these countries will account for over half of the total global solar capacity by 2050, along with a significant increase in the volume of installed solar facilities capacity also in North American and European countries and possibly in other regions such as Africa and South America⁹.

Below is another diagram describing the global deployment forecasts of installed capacity for generation of electricity using solar installations for the years 2030 and 2050:



⁸ Statista website: <https://www.statista.com/statistics/264629/existing-solar-pv-capacity-worldwide>

⁹ Irena, Future of Solar Photovoltaic: <https://irena.org/-/media/Files/IRENA/Agency/Publication/2019>

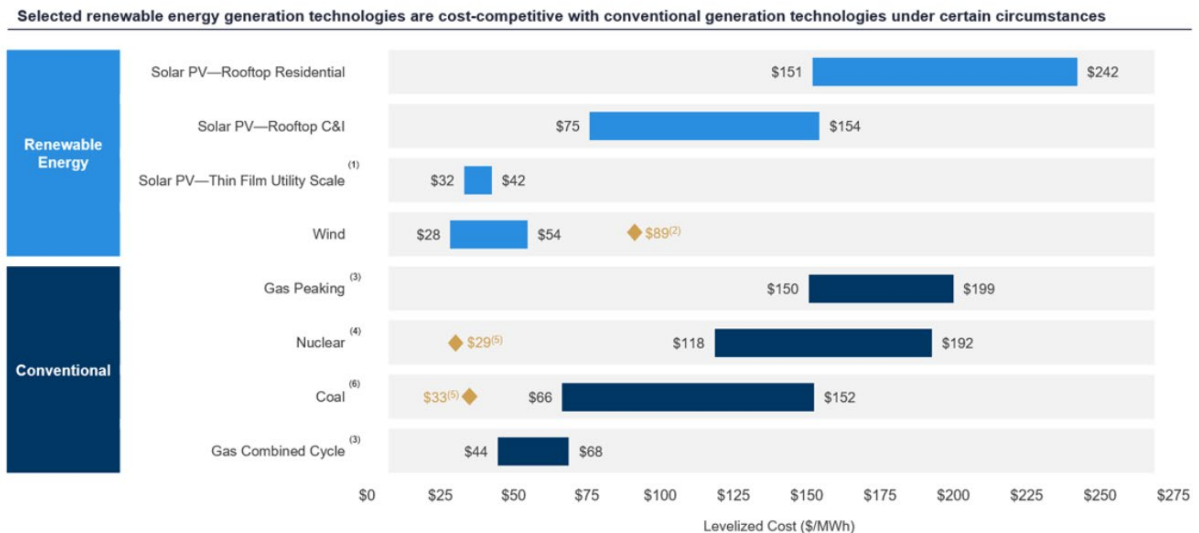


With the growth and consolidation of the solar installations market and increased competition in this industry, governments have stopped providing it with incentives. Also,

the prices of electricity generation in the free market using solar facilities in many countries around the world have dropped to prices equal to or even lower than the price of electricity generation from traditional sources, reaching what is known as "Grid Parity"¹⁰. Respectively, tariffs for solar energy production have also dropped significantly (for example, in India, tariffs for new projects have dropped by 49% in just five years),¹¹ and in the course of 2021, tariffs reached 1.04 per kWh (\$/kWh) only (Saudi Arabian ACWA, in a project of the government company (NREP).

Accordingly, experts predict that solar energy will continue to be one of the leading technologies in the field of renewable energies in the coming decades, among other things in light of the low production cost and economic viability even in a free market and without incentives¹².

In this context, see the diagram below which presents the competitive cost of energy production using renewable energies, including PV facilities, compared to energy production using conventional methods¹³:



¹⁰ "Grid Parity" is a term that describes a situation where an alternative energy source can produce electricity at an abstract electricity cost (LCOE - the levelized cost of electricity production for a power generation installation (such as a PV installation) over its lifetime) at a price lower than or equal to the price of electricity from the electricity grid.

¹¹ Irena, Renewable Power Generation Costs in 2019:

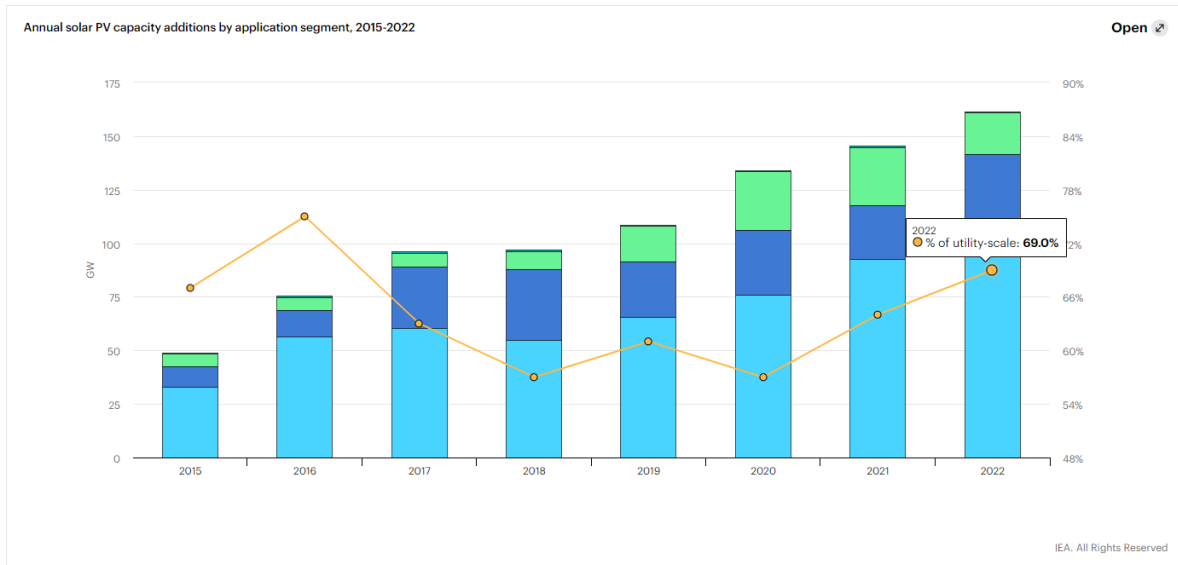
<https://www.irena.org/publications/2020/Jun/Renewable-Power-Costs-in-2019>

¹² Irena, Future of Solar Photovoltaic: <https://www.irena.org/-/media/Files/IRENA/Agency/Publication>

¹³ Lazard, Levelized Costs of Energy and Levelized Cost of Storage 2019: <https://www.lazard.com/perspective/lcoe2019>

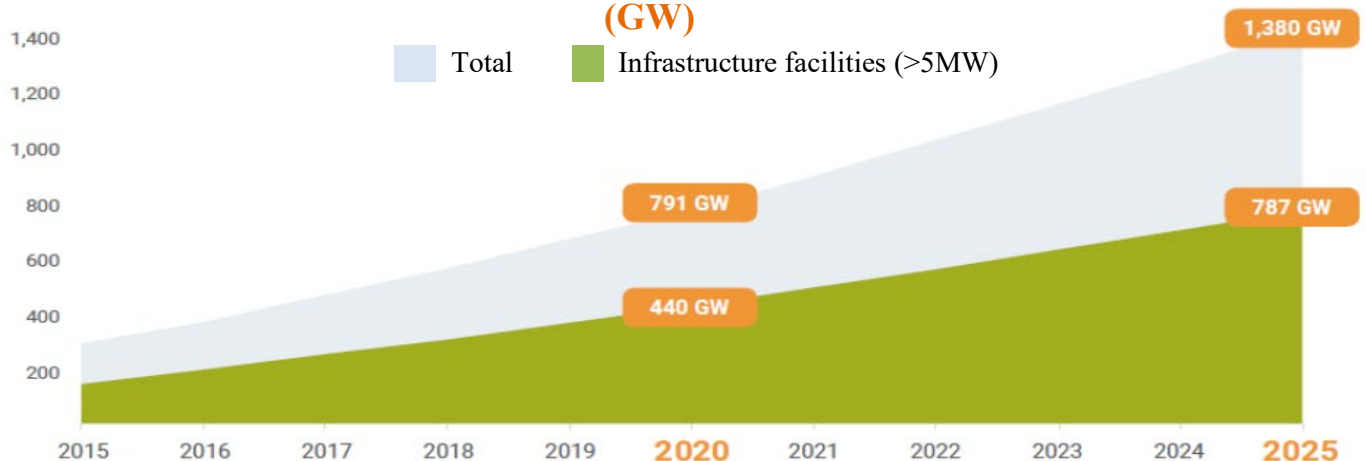


As of the Report date, the total global Installed Capacity of solar energy production is 1,000 GW, of which utility-scale facilities that are suitable for the Company’s operations and constitute about 69% of the annual addition of solar facilities³⁴, representing a significant growth over the past two years, as detailed in the diagram below:



It is noted that according to the Company’s estimate, based on research it conducted, utility-scale facilities located in areas suitable for the Company's operations (mainly dry areas, excluding China), and which generally constitute the Company's immediate target market, include, as of the current date, more than 39% of the total global scope of utility-scale facilities, and according to forecasts, by 2025, the global installed capacity of solar energy expected to reach about 1,380 GW, of which 787 GW are expected to be in Utility-scale facilities as shown in the diagram below³⁵.

Total Global Installed Capacity Output (GW)





In addition, according to forecasts, by 2050, the total global installed capacity of solar energy is expected to reach about 8,519 GW, of which about 60% are expected to be in utility-scale facilities³⁶. For information about the impact of the coronavirus crisis on the PV Facilities industry, see this section below.

Below is a breakdown of the trends and developments that have taken place in the market of photovoltaic facilities in the main countries in which the Company operates as well as such trends and developments that have occurred in additional potential markets for the Company's operations, as of the date of this Report.

Solar energy market in India

India is the third largest electricity consumer in the world³⁷, with extensive areas across the country still suffering from partial and irregular power supply³⁸. As a country with extensive areas that enjoy extremely high levels of solar radiation³⁹, India is a leading player in the electricity generation market using photovoltaic panels.

During the first 11 months of 2021 (as of November 30, 2021), facilities using solar energy totaling an output capacity of approximately 11,100 Megawatts were installed in India, out of which approx. 7,000 Megawatt in utility-scale facilities (JMK Research) and the installed capacity produced by solar panels connected to the electricity grid was about 47,200 Megawatts⁴¹, about 80% of it is generated using utility-scale facilities. In addition, in that year, large-scale projects and the development of additional solar systems were initiated through government tenders⁴². After in the course of 2020, the new facility construction rate declined because of the Coronavirus epidemic, and facilities of only 2,320 MW power output were installed⁴³, 2021 demonstrated a recovery trend.

It is noted that to the best of the Company's knowledge, with regards to tenders published by the Government of India, in respect of which the facilities have already been established and operated, there is no change in the electricity tariffs set in the tender, and rates have generally remained fixed throughout the tender period (usually about 25 years).

³⁶ Ibid

³⁷ Saur Energy International: <https://www.saurenergy.com>

³⁸ Shakti Sustainable Energy Foundation: <https://shaktifoundation.in> :

³⁹ [India Energy Portal: http://www.indiaenergyportal.org/subthemes.php](http://www.indiaenergyportal.org/subthemes.php)

⁴¹ Statista website: <https://www.statista.com/statistics/264629/existing-solar-pv-capacity-worldwide>

⁴² The Economist Times: <https://economictimes.indiatimes.com>

⁴³ See Footnote 39 above.



The extent of terrestrial photovoltaic sites in India from the total facilities continues to be extremely large, and as of the end of January 2022, the cumulative installed capacity of these facilities reached about 42,430 MW.⁴⁴

The Indian Government has set targets for increased use of clean and renewable energy sources, including the use of photovoltaic energy, and is already carrying out various large-scale, green energy-focused power generation projects. India's Ministry of Energy has set a total target of establishing with a cumulative installed capacity of 175,000 megawatts of renewable energy until the end of 2022, of which about 100,000 megawatts will be produced by photovoltaic facilities⁴⁶, and India's renewable energy sector is expected to attract \$ 80 billion in investment over the next four years. It is estimated that by 2040, about 49% of India's electricity generation will be generated using renewable energy, including by photovoltaic facilities⁴⁷.

Moreover, in June 2019 the Indian Government issued a recommendation to photovoltaic installation developers to switch to the use of robotic solar panel cleaning methods without the use of water⁴⁸, and in many cases even limited the water supply to solar facilities to a maximum period of only 4 years (so that only 21 years remain in the life of the installation in which to make use of a solution that does not require water for the purpose of cleaning the solar panels). In addition, in August 2020, India's Prime Minister initiated a global program to connect different countries to a common grid called "One Sun, One World, One Grid", in which India alone would provide 400,000 megawatts of photovoltaic energy⁴⁹.

The Company has been active in the Indian market for about 6 years. As of the Report date, its systems have been installed in 2,650 Megawatt of utility scale photovoltaic facilities.

As mentioned above, the Indian market is one of the fastest growing solar installations market in the world. This growth is reflected, inter alia, in the setting of ambitious targets by India's Government for the expansion of activities in this field. Hence, the Company chose to operate in this market, among other things because it recognized that the operations of the Company's target customers were concentrated therein and thus there is potential for generating goodwill and a comparative advantage in this market.

⁴⁴ [Ministry of New and Renewable Energy \("MNRE"\):https://mnre.gov.in/the-ministry/physical-progress](https://mnre.gov.in/the-ministry/physical-progress)

⁴⁶ MNRE: http://164.100.47.193/lsscommittee/Energy/17_Energy_3.pdf

⁴⁷ IBEF, Renewable Energy Industry in India: <https://www.ibef.org/industry/renewable-energy.aspx>

⁴⁸ [Mercom India: https://mercomindia.com/mnre-asks-robotics-for-water-solar](https://mercomindia.com/mnre-asks-robotics-for-water-solar)

⁴⁹ Financial Express, Intention, tech and capital to make 'One Sun One World One Grid' a reality are falling in place: <https://www.financialexpress.com>



Solar Energy Market in Israel

In 2009 and 2015, the Israeli government set guidelines for the production of electricity from renewable energy at a scope of 10% of energy consumption by 2020 and 17% of energy consumption by 2030, the vast majority of which is expected to be obtained from solar facilities⁵¹. In October 2020, a government resolution was passed according to which, the 2030 renewable energy target would be 30%, and an interim 20% target was set for the end of 2025.⁵²

As of the end of 2020, according to IEC data⁵³, the percentage of electricity generated from Renewable Energy out of the total electricity consumption in Israel was about 5.7%. Also, as of the end of 2020, the volume of power installed in the form of photovoltaic technology in Israel was about 2,200 Megawatts and the projection for the end of 2025 is 7,900 Megawatt⁵⁵

As of the Report date, the Company's systems in Israel are installed in 14 utility Photovoltaic Facilities in Israel, including the largest site in Israel today, with a production volume of 120 megawatts located in Tze'elim, owned by Shikun VeBinui Energy. In addition, the Company is installing facilities in 3 other sites.

Solar Energy Markets in Additional Prospective Markets

As stated above, a trend of significant increase of installed capacity of solar facilities, including by infrastructural (utility-scale) solar facilities is evident in many countries. According to estimates, this trend will continue into the next few years.

According to estimates, between the years 2021-2023, the number of installations of the utility-scale type in the United States is expected to account for about 65% of the total solar deployment in there⁵⁷, with approximately 50% of them in southern parts of the United States, which are suitable for the Company's operations in terms of climatic conditions.

In 2020, there was a 40% increase in the installation of utility-scale facilities compared to 2019, in spite of the coronavirus crisis, which affected many industries.⁵⁸ In 2021 there was an

⁵¹ Government decision - setting a guiding goal and formulating tools for promoting renewable energies, especially in the Negev and Arava region: https://www.gov.il/he/Departments/policies/2009_des4450;

Government decision - reduction in green gas emissions and streamlining energy consumption in the economy: https://www.gov.il/he/Departments/policies/2015_dec542.

⁵² Government resolutions – Advancement of Renewable Energy in the Electricity Market and Amendment of a Government Resolution: https://www.gov.il/he/departments/policies/dec465_2020

⁵³ See IEC Ltd. periodic and annual report for 2020 published on March 18, 2021.

⁵⁵ The Electricity Authority, Electricity Sector Report for 2020: <https://www.gov.ildochmeshek/>

⁵⁷ Solar Energy Industries Association (SEIA) Research data: <https://www.seia.org/solar-industry-research-data>

⁵⁸ SEIA: U.S. Solar Market Insight: <https://www.seia.org/us-solar-market-insight>



increase of approx. 25% in electricity production from solar energy comparing to 2020⁵⁹. In addition, in 2021, the new U.S. administration rejoined the Paris Agreement, from which the previous administration withdrew.⁶⁰ Furthermore, the new administration a climate plan for zero-emissions from electricity generation by 2035, with a government investment of USD 2 trillion⁶¹ (For more information about restrictions arising from U.S. regulations and the Company's potential activity there, see Sections 7.2 and 26 below).

The growth in the solar installations market is also reflected in Spain, especially as of the second half of 2019⁶². According to publications, the PV sector plays a significant role in Spain's transition to the use of green energy, when in the first half of 2020 energy production through solar installations in Spain reached a peak, whilst setting an energy production target using solar installations of about 40,000 megawatts by the year 2030. According to estimates, approximately 15,000 megawatts of installations carried out by 2024 is expected to be of the utility-scale type.¹⁴⁶³

The growth trend in the solar installations market has also been recorded in other regions, including in Latin American countries (mainly Mexico, Brazil and Chile)⁶⁴. According to HIS Markit Research Company, the cumulative volume of solar installations is expected to reach approx. 16,500 Megawatts in 2022. Australia is also seeing a growth trend in the solar installations market, with solar power generation capacity almost doubling in 2019, and according to estimates, more than two-thirds of new solar facility installations which were initiated in 2019 are expected to be large solar facilities, including utility-scale facilities⁶⁶.

Over the past two years projects at capacity of hundreds of Megawatts have been declared in the Middle East, and Saudi Arabia informed of a transition to 50% of the production capacity that will come from Renewable Energies by 2030 (Vision 2030), and of a new city purely based on sustainability and Renewable Energies, in particular solar energy – NESO. Installation of approximately 15,000 Megawatt is planned for NEOM alone.

As of the Report date, the Company has installed or is in various stages of installing its products in 7 countries out of these markets.

⁵⁹ <https://www.pv-tech.org/us-solar-generation-up-25-in-2021>

⁶⁰ The Climate Group 2020: <https://www.theclimategroup.org/our-work/news/celebrating-renewable-electricity-success-us>

⁶¹ CNBC: Biden suspends oil and gas leasing in slew of executive actions on climate change: <https://www.cnn.com/2021/01/27/biden-suspends-oil-and-gas-drilling-in-series-of.html>

⁶² Integrated National Energy and Climate Plan 2021-2030:

https://ec.europa.eu/energy/sites/ener/files/documents/es_final_necp_main_en.pdf

⁶³ Gtm: A Wood Mackenzie Business: <https://www.greentechmedia.com/articles;>

List Solar - Solar Energy News & Directory: <https://list.solar/news/large-scale-solar-1>

⁶⁴ From a study conducted by the Company through HIS Markit.

⁶⁶ Clean Energy Council: <https://www.cleanenergycouncil.org.au/resources/technologies/large-scale-solar>



For further information pertaining to the Company's business strategy regarding penetration into potential markets for its operations, see Section 26 below.

6.1.2. Regulation of PV Facilities

In general, the field of renewable energy depends on regulation that is largely based on government decisions and the decisions of the energy authorities in the various countries, who define the structure of the relevant regulations and the manner of connection to the grid and sale of electricity on behalf of renewable energy producers. Therefore, in general, trends and developments in the scope of the renewable energy industry, including the photovoltaic installation industry, may be affected by new legislation and regulations in the industry and as a result may affect the growth rate of the Company's potential target market and the demand for its products. It is noted that lowering certain regulatory barriers and creating incentives and regulations to encourage the construction and operation of photovoltaic facilities may have a positive impact on the size of the Company's potential market.

6.1.3. Technological Developments in PV facilities

In recent years, efforts have been invested in the development of technologies enabling improved utilization of photovoltaic technology. These trends lead, among other things, to increased energy efficiency of solar panels, thus higher efficiency levels increase the amount of energy produced in a given area in the facility and reduce the number of solar panels required in the facility per unit of energy. Accordingly, this trend has an impact on the number of robotic systems the Company installs per megawatt installed, so with the improvement in solar panel efficiency, the ratio of robots to megawatt installed is decreasing which primarily means increased productivity per unit area.

This trend is compensated by an increase in the production capacity of the new solar facilities and therefore so far, the impact on the volume of robot sales per unit area has not been significant. Other than that, the existing growth trend and the number of sites, as well as the Company's expansion into additional markets and the reduced production costs of the systems as a result of sales volume, are expected to compensate for the above trend and enable both the increase in demand for the Company's systems in the coming years and its profitability. In addition, the trend described above may lead to a reduction in manual cleaning costs per megawatt unit (but not necessarily per unit area) but the increase in labor and water prices over the life of the project (which is about 25 years) is expected to increase manual cleaning costs and leave robotic cleaning as a preferred financial option over manual cleaning.

The growing trend in recent years of declining tariffs for electricity generation using solar energy, as outlined in Section 6.1.1 above, may have implications for electricity producers' willingness to pay for technological developments such as robotic solutions for operating and maintaining facilities. On the other hand, the erosion of profits forces photovoltaic power



producers to resort to such solutions in order to enable optimal efficiency of energy production by the solar installation, as one of the primary methods through which the economic viability of the installation can be maintained. As robotic solutions only constitute 1%-2% of the construction costs of the facility, many PV developers value the safety level of the solution for the facility in general and for maintain the quality of solar panels of the site in particular, an element which is significant in the added value of the Company's products. Accordingly, according to forecasts, in the coming years an increase is expected in the transition to the use of automated solutions for cleaning solar panels, instead of the traditional manual cleaning methods⁶⁷.

In this context it is noted that the profitability of purchasing and operating the Company's robotic systems is measured mainly per unit area and in relation to the manual alternative, since while the improved productivity of solar panels lowers electricity production costs, the Company's robotic solution will likewise serve a greater amount of power installed per similar unit size. Thus, the cost of cleaning per megawatt installed is also expected to take a parallel downward trend. This without taking into account technological improvements that the Company undertakes, which may improve the cleaning power of the Company's systems, lower their cost to the Company and even offer additional value to its customers.

In addition, the Company estimates that the rise in conventional energy prices along with lower renewable energies production costs, at the top of which is photovoltaic energy, as well as the need to slow global warming and stabilize the climate, will continue to maintain high demand for PV facilities. The Company estimates that in the long run, the growth rates of PV facilities is expected to remain high, even if economic conditions change locally and lead to a slight decline in some markets. As a result, the Company anticipates that these trends may lead to an increase in the Company's target market, alongside the potential for expansion of the Company's operations in relation to existing photovoltaic facilities and those under construction.

With the decline in government subsidies for PV installations in many countries around the world and the decline in tariffs offered to energy producers, the need to operate solar sites optimally and lower ongoing maintenance costs have become significant for maintaining profitability.

As of 2021, operating and maintenance costs in the global market of utility-scale facilities stand at about USD 2 billion per year (of which a rate of 12% for solar panel cleaning) and are estimated to increase to about USD 4 billion per year by 2025⁶⁸.

According to the Company's estimate, the cost of the robotic systems to the Company's customers is usually a single-digit rate lower (1%-3%) than the total cost of the solar facility

⁶⁷ From a study conducted by the company through Wood Mackenzie.

⁶⁸ Ibid.



project, and based on the Company's and its customers' past experience, the customer's return on investment when engaging with the Company (in the agreement for the acquisition of the robotic systems and in the operation and maintenance agreement) is at a rate which exceeds the acceptable yield in solar projects and as a whole is estimated in the range of 14% - 35%.. Therefore, the Company believes that the demand for advanced technologies such as the robotic systems developed and manufactured by the Company, given their low cost relative to the total project, and given the improvement in energy production generated for the customer as a result of using these systems, will increase significantly over the coming years.

6.2 Availability of Suppliers and Raw Materials

The Company advocates the development of sophisticated solutions that are simply assembled. The robotic systems supplied by the Company consist of a variety of components that mainly include motors, batteries, communication components, sensors and various mechanical parts. The Company ensures it contracts with large suppliers who have high production capabilities and as far as possible purchases off-the-shelf products. As of the Report date, the Company has contracts with a single manufacturer for the purpose of assembly of the robotic systems, a principal supplier for the supply of relay and communication components to which the Company's products are adapted as well as a number of sub-vendors who supply the Company with physical components and software components used for robotic systems.

To the best of the Company's knowledge, there are other suppliers and manufacturers of the said components throughout the world and in its estimation, it has the option to purchase products and replacement components from competing suppliers of each of the components and if necessary, locate a different manufacturer for the assembly of the Company's robotic systems, within a specific period, without significant additional cost to the Company. For more details about the manufacturer with whom the Company has contracted for the assembly of the robotic systems and the suppliers with whom the Company contracted, see Sections 14 and 19 below.

Following the global crisis of goods, as of the Report date there is an acute shortage of raw materials which are required to manufacture the Company's systems. For details regarding the Company's methods to deal with the above-mentioned crisis of goods, see Section 1.3.5 above.

6.3 Regulation

The Company's products include various communications components that require regulatory approvals from entities such as the FCC⁶⁹ in the U.S. and similar entities in each country in which the Company operates. Accordingly, different countries in which the Company may operate in the future

⁶⁹ The Federal Communications Commission ("FCC") is a federal communications committee defined as an independent U.S. government agency overseen by Congress. The Commission regulates interstate and international communications through radio, television, wire, satellite and cable in all 50 states, the District of Columbia and areas of the United States. The Commission is the primary authority in the United States for Communication Law, regulation and technological innovation.



may have requirements for tests and additional approvals that the Company will need to furnish in order to operate in that Country.

Furthermore, most of the Company's customers are corporations that have environmental preservation engraved on their banner and require the Company to meet various environmental requirements and standards. To the extent that the Company or anyone acting on its behalf does not meet such requirements, the Company may be exposed to revocation of agreements, damage to its reputation and a decrease in its ability to execute new contracts.

Moreover, the different customers and industry regulations in different countries require the Company to comply with different employment terms and labor laws.

For further details regarding regulation relevant to the Company's area of activity, see Section 7.2 below.

6.4 Climate Conditions

One of the main advantages of the solutions offered by the Company to its customers in its area of activity is an increase in the output of the solar panels due to the efficiency and frequency of cleaning using the Company's robotic systems, in a way that allows optimal utilization of energy produced from the solar installation, even in conditions of dust and significant sandstorms. However, since the Company's systems are based on dry cleaning technology only, rain events as well as relatively high humidity (at a rate exceeding 70%) do not enable efficient cleaning by the robots. Therefore, areas that are defined as damp or particularly wet will not be found to be suitable for dry robotic cleaning by the Company's systems. Accordingly, within the framework of its operations, the Company focuses on dry areas with a relatively low amount of precipitation, as well as areas that are not regularly characterized by high humidity.

The Company estimates that, as of the Report date, approximately 60% of the world's photovoltaic facilities are located in arid areas with climatic characteristics that are suitable to the Company's systems and enable dry cleaning in an efficient manner.

It is also be noted that in accordance with the published climate reports, among others, by the World Meteorological Organization⁷⁰ and the Intergovernmental Panel on Climate Change⁷¹, the frequency and severity of sandstorms and dust storms in some parts of the world are increasing. As part of climate change, the Company estimates that the need to clean solar panels will increase in frequency in line with the Company's performance.

⁷⁰ World Meteorological Organization, Global Assessment of Sand and Dust Storms: https://library.wmo.int/doc_num.php?explnum_id=3083

⁷¹ The Intergovernmental Panel on Climate Change: https://www.ipcc.ch/site/assets/uploads/2018/03/SREX-Chap3_FINAL-1.pdf



6.5 Political Changes in the Company's Target Markets

As of the Report date, some of the Company's target markets and the markets in which the Company currently operates are located in developing economies characterized by frequent political changes, thus government instability and political and economic changes in such countries may affect the compliance of the Company's customers operating therein with the agreements they have entered into.

6.6 Technology

Technological improvements lead to the development of advanced systems aimed at streamlining the operation of the robotic systems and improving their maintenance processes. The importance of these systems for the Company's customers is on the rise, as they ensure that the solar facility will be able to maintain high levels of technical and economic performance throughout its period of operation, which generally lasts about 30 years. Therefore, continuous striving for technological innovation of the systems and services provided is a vital factor in increasing their attractiveness amongst customers in the industry and in reducing potential risks.

Aside from this, the Company's operation as a technological Company may be affected by technological advancements in systems which are based on cloud technology and other technological developments that offer solutions for streamlining the cleaning, operation and maintenance of solar panels. Such technological breakthroughs, which may lead to the development of competing or substitute products for the Company's products and services, may detract from the Company's share in the target markets and thus increase the competition in the area of activity, lower the prices of the products and services and erode profitability. On the other hand, technological breakthroughs may have a positive effect on the demand for technological systems that clean and maintain solar panels and increase their rate of use.

In order to deal with the possible effects of such technological developments, the Company ceaselessly acts to implement improvements and technological innovations in the systems it has developed and, in the operation, and maintenance services provided to its customers.

For further details, see Section 7.5 below.

6.7 Competition

In the global industry of technology-based solutions for cleaning and maintenance of utility-scale solar panels, a limited number of companies, as of the Report date, developed technological solutions for cleaning solar panels and there are companies whose products are in development stages. It is noted that to date, the Company holds "first mover" advantage over other competitors, and the Company believes it has a qualitative technological advantage in the area of activity as well as unique experience gained over eight years of activity allowing it to address the challenges that are typical of solar sites and require solutions in various areas, such as communication and dealing with extreme weather



conditions. It is noted that these advantages are quality-based advantages and normally, the Company prices its products at higher prices comparing to the products of its competitors.

However, future developments of competing products and services, as well as significant changes in price discrepancies between the products offered by the Company and products offered by competing companies, particularly in the key markets in which the Company is currently operating, may have an impact on the Company's existing and potential market share and profitability.

Accordingly, the Company regularly acts to apply improvements to its systems so as to improve and enhance the robotic performance, and it also acts to develop more cost-effective solutions for its customers to deal with increased competition.

For further details about the competition in the Company's area of activity, see Section 13 below.

6.8 Exchange Rate

The Company's operating currency is the US dollar. Some of the payments to the Company's suppliers and revenue from its customers are made in foreign currency (mainly in the rupee or shekel currencies). Concurrently, most of the Company's revenues are linked to the US dollar, so significant fluctuations in exchange rates may have a limited effect on the Company's business results in the area of activity.

Over January and February 2021, the NIS has weakened against the USD by approximately 6% down to a level of 3.3 NIS to 1 USD. Until the first half of 2021, the NIS maintained stability against the USD, against the backdrop of acquisitions of circa. USD 25 milliard made by the Bank of Israel. In the second half of 2021, a revaluation trend has been recorded in NIS against the USD, such that as of December 31, 2021, the USD exchange rate was 3.11 NIS against 1 USD.

If the trend of USD enhancement against the NIS continues during 2022, this may somewhat help the Company in cutting down its expenses, in particular in development and wage of employees in Israel, in view of the inflation trend observed in the Israeli economy.

The above information regarding the general environment and external factors influencing the Company's operations is based on the Company's subjective assessments and estimates taking into account the experience of its managers as well as publications and surveys written and published by professionals in Israel and around the world in connection with the economic conditions in the main countries in which the Company operates as of the Report date. The above data are estimates only and may not be complete, but in the Company's opinion they may provide a general picture, albeit inaccurate, regarding the nature of its business activity. In light of the foregoing, the actual results may differ from the assessments detailed above in relation to the external factors influencing the area of activity.



Any reference in this Section 6 above regarding the Company's assessments in connection with future developments in the general environment in which it operates and in the external factors affecting its operations, constitutes Forward-Looking Information within the meaning of this term in the Securities Law, based on information beyond the control or beyond the sole control of the Company, and which is not certain. Results in practice may differ materially from the aforementioned Company assessments, inter alia, if there is a change in one or more of the risk factors entailed in the Company's operations, set forth in Section 30 below.



PART THREE: DESCRIPTION OF THE CORPORATION'S BUSINESS IN THE AREA OF ACTIVITY

7. General Information on the Area of activity

7.1 The structure of the area of activity and changes occurring therein

The increase in the volume of utility-scale installations being built in the world requires automated solutions, as manual cleaning solutions do not provide a sufficiently comprehensive and economical one. Other than that, most of the utility-scale sites are built in arid areas which enjoy high levels of solar radiation, where there is a need for even more significant cleaning and where water reservoirs are scarce. Rising water prices, as well as rising labor prices in developing economies, may pose a risk to entrepreneurs and funding bodies of photovoltaic facilities, as the financial model of the photovoltaic installation relies on maintenance for approximately 20-30 years.

Moreover, the competitive rates in the market and the elimination of government incentives in many countries require solutions that allow solar projects to remain profitable despite the erosion, and the industry is shifting its focus to significantly improving maintenance and operations.

Within its area of activity, the Company develops, sells and maintains robotic systems for cleaning utility-scale solar facilities, located in dry areas, based on cloud technology developed by the Company and which enables remote operation and control of the robotic systems installed at the customer site.

The robotic systems developed by the Company and the ongoing operation and maintenance services that the Company provides to these systems are designed for utility-scale photovoltaic installations connected to the electricity grid (Utility-scale solar). The systems perform cleaning frequently in comparison to traditional solutions thus helping to maintain an optimal level of production without any use of water or manpower, hence enabling an increase in profits from electricity production as well as minimizing cleaning costs. Installing the Company's systems at the facility eliminates the need to build infrastructure and transport water, which may pose an operational challenge in dry and remote areas.

7.2 Restrictions, Legislation, Standards and Special Constraints Applicable to the Area of Activity

As of the Report date and to the best of the Company's knowledge, no legal restrictions apply which are unique to its area of activity. In general, as part of its activities, the Company (like any technology company) is subject to approvals in each country in which it operates with regard to



regulatory approvals for the communication components of its systems as well as to regulation of environmental issues at sites where it installs its systems, so changes in this area may impose additional costs on the Company. Furthermore, operations in potential target countries may involve compliance with applicable control and regulatory provisions in those countries.

Moreover, changes and developments in the regulatory requirements or non-compliance of the Company with such requirements may result in the imposition of restrictions or delays in the development of the Company's products or precipitate their discontinuation, as well as cause the Company significant expenses.

It is noted that in accordance with applicable regulation in the US, in solar facilities, a specific space needs to be maintained between the solar panels. Therefore, currently there is a restriction on the Company's ability to widely deploy its systems in such facilities. To the best of the company's knowledge, at this time there is no commercial solution on the market for autonomous robotic systems for cleaning solar facilities, that addresses this restriction. As part of the Company's future developments, the Company intends to formulate a dedicated solution in this regard, which will allow the movement of the robots on installations of the said type, therefore, subject to the completion of such a solution, the Company does not view this a significant obstacle to extensive future operations in this area. It is noted that the Company intends to complete such development, but at this time the Company cannot assess the expected schedule for this. It is noted that to the best of the Company's knowledge, as of the Report date, no similar restrictions on its operations exist in other potential target markets.

Moreover, The Company performs laboratory tests on its systems at the PI Photovoltaik-Institut Berlin AG ("**PI Berlin**"). From the description of the series of tests by PI Berlin, the tests include rigorous acceleration tests for the Company's systems, which examine their reliability and efficiency. These tests simulate 20-25 years of daily cleaning with over 40 dust storms per year, i.e. 14,000 cleaning cycles and 900 dust storms, both in the E4 and T4 systems. The acceleration tests have so far been performed on the leading types of solar panels and have generally shown compliance with the stringent standards set in the market.

Solar panel manufacturers grant their customers a warranty on the solar panels for the life of the installation (20-30 years), and accordingly, cleaning the panels requires certification from the manufacturers (in this section: the "**Certifications**") that their original warranty will not be compromised. Based, among other things, on the results of PI Berlin's laboratory tests, as mentioned above, the Company's robotic systems have received over a dozen approvals from various solar panel manufacturers worldwide confirming that the systems are safe to use on their panels without fear of damage.⁷³

⁷³ It should be noted that the manufacturers' certificates are usually contingent, among other things, on the Company's compliance with the manufacturer's provisions for the cleaning and handling of the solar panels, and that most certificates stipulate that any modifications in the specifications of the robotic systems or their components



It is noted that at the start of the Company's operations, the issuance of certificates lasted many months and involved re-examinations and verification of extensive data by the certifying bodies (manufacturers and/or standards bodies). Today, the issuance of such certificates for the Company lasts a shorter period, usually ranging from one to three months. To the best of the Company's knowledge, its competitors may seek to obtain similar certificates, but the Company's estimates that in the case of competitors, these processes may take a long time (as was required by the Company at the start of its journey). It is noted that some of the Company's competitors may already hold certain certificates.

7.3 Changes in the Scope of Activity in the Area and Profitability

As stated above, the Company's operations in the area of activity and its viability is materially affected by trends and developments in the solar energy market through photovoltaic installations, such that the realization of the assessments and forecasts regarding the expected growth in this area may affect the demand for the Company's products and services in the area of activity, in addition to the market potential inherent in existing facilities and those under construction.

The changes in the scope of activity in the field are mainly due to the increase in recent years in the number of large photovoltaic facilities established in various countries around the world, and in particular in the primary countries in which the Company operates. In addition, there is a trend towards the adoption of advanced technologies that streamline energy production in photovoltaic facilities which have also led to growth in the scope of the Company's operations in the area of activity, since its establishment.

Accordingly, to the best of the Company's knowledge, the use of technological solutions for cleaning solar panels in the global utility-scale PV industry has increased and is expected to continue to grow significantly, with the Company enjoying its first mover advantage, which affects its market position and is expected to influence the continuation of the growing trend in the Company's operations.

For details on the effects of the coronavirus crisis on the Company's operations, see Section 6 above.

7.4 Developments in the Area of Activity Markets, or Changes in Customer characteristics

The climate crisis plaguing the Earth is changing the world of energy and accelerating the transition to clean and renewable energies. The public pressure directed at governments and corporations is leading to the setting of significant targets for reducing greenhouse gas emissions (which cause global warming) and the transferring to renewable energy and the promotion of

which are not approved in advance by the manufacturer may not be included in the original manufacturer's warranty.



supportive government policies to expand this industry, particularly by an increase in the generation of electricity through solar power generation.

In December 2015 a climate convention was held in Paris, which was concluded a global climate protection agreement signed by 195 countries (over 90% of all countries in the world). The agreement includes a commitment by each of the countries that are party to it to reduce pollutant emissions, in accordance with the detailed objectives presented by each country. One of the main ways to reduce emissions is the accelerated integration of electricity producing facilities through renewable energy. It is noted that in 2021, the Glasgow Climate Change Conference was held with the participation of delegates from 197 countries, and it ratified the Paris Agreement⁷⁴ under which countries committed to gradual decreased use of coal and emissions of pollutants. To the best of the Company's knowledge, as of the end of 2020⁷⁵ about 138 countries in the world are promoting policies that support the production of electricity from renewable energy, while according to forecasts, in 2030 renewable energy will provide about 38% of global electricity production, and by 2050 renewable energy will provide about 55%⁷⁶.

In addition, according to forecasts, the most significant increase in electricity generation from renewable energies will be in solar energy, from 2% of total global electricity generation today, to 22% in 2050⁷⁷.

As part of this trend, traditional energy giants such as Shell, BP and Total SE are entering the field of renewable energies and setting high performance targets (for example Total SE has set itself a target of producing 25,000 megawatts of renewable energy by 2025)⁷⁸.

Furthermore, the development in the renewable energy industry is also reflected in a significant increase in investments in the world of renewable energy by large international corporations, inter alia, due to a shift in perception and a move towards environmental awareness and corporate responsibility (Environment, Social and Governance - "ESG") in recent years. According to forecasts and assessments in the field, such developments in the renewable energy industry in general, and in the production of solar energy in particular, are expected to lead to significant investments in the field by corporations in the future as well.

For further details regarding developments in the area of activity markets, see Section 6 above.

⁷⁴ https://unfccc.int/sites/default/files/resource/cma3_auv_2_cover%20decision.pdf

⁷⁵ World Bank: <https://openknowledge.worldbank.org/handle/10986/34937>

⁷⁶ Irena, Global Renewables Outlook: <https://www.irena.org>

⁷⁷ Bloomberg New Energy Finance: <https://bnef.turl.co/story/neo2019/page/2/1?teaser=true>

⁷⁸ Total, Form 20-F for the Fiscal Year ended December 31, 2019: <https://www.total.com/sites/g/files/nytnzq111/files/atoms/files/2019-total-form-20-f.pdf>



7.5 Technological changes that have a material effect on the area of activity

The main goal of technological changes in the photovoltaic installation industry is to reduce energy production costs, by streamlining and improving the facility's operation, among other things by using the solutions offered by the Company for cleaning solar panels and maintaining them using robots operating autonomously. This is because the use of robots streamlines the maintenance of photovoltaic facilities and lowers the costs paid to sub-contractors to operate and maintain the facilities by reducing manpower costs, saving water and providing a solution in areas where water resources are limited, especially in developing countries. Accordingly, in recent years there has been a steady increase in the shift to the use of robotic technologies for cleaning utility-scale photovoltaic facilities which has been reflected in increased demand for the Company's products and services.

Concurrently, attempts are being made in the market to develop solutions addressing the problem of dust and sand on solar panels, such as a cover layer for panels that minimizes dust adhesion (anti-soiling coatings). To the best of the Company's knowledge, this product has not yet been widely adopted in the industry. It is noted that to the best of the company's knowledge, this product (to the extent that its development is completed and assimilated in the market) is not a cleaning product and is designed to reduce the amount of dust adhering to solar panels, and thus enable easier cleaning of the solar panels, inter alia, by the robotic systems supplied by the Company. Accordingly, the Company deems such products as complementary to its systems, since such solutions, together with the Company's robotic systems, may improve the existing cleaning capabilities of the solar panels by the Company's products and increase the solar energy output from the panels.

The success of such developments in the future may affect the Company's operation in the area of activity, including its competitive advantage in the market and its profitability. Accordingly, the Company is constantly striving to make improvements in its systems in order to streamline and improve the performance of the robots in a manner which may improve the efficiency of the solar panels and preserve its competitive advantage in the field. In addition, the Company is working to develop complementary solutions to its existing products that will increase the efficiency and coverage of the robot and enable the robot to operate in installations where there is currently no economic viability for its operation (such as dedicated development of the robotic systems which will enable the movement of the robots on solar panels built with intervals, as stated in Section 7.2 above).

For further details regarding technological changes in the PV installations industry that may materially affect the Company, see Section 6.1.3 above.



7.6 Critical Success Factors in the Area of Activity

In the Company's opinion, the major criteria for the primary success factors in the area of activity are as follows:

- (a) The reliability of the products, the provision of quality service to customers, including proof of efficiency, fault management and upgrades;
- (b) A unique business model which allows customers to hedge against inflation risks, and in particular an increase in labor costs and water prices within the framework of manual cleaning of solar panels;
- (c) Quality and skilled manpower possessing the required technological and technical knowledge;
- (d) Building a relationship of trust with the senior ranking officers in the Company's customers (applying for tenders jointly with the Company, sharing diagrams with the Company, etc.);
- (e) Technology - unique experience in a wide variety of fields such as Embedded, Cloud, RF, technological innovation in relation to competitors and its branding as well as equipment and components at a high level of technology and quality;
- (f) The continued expansion of the Company's intellectual property base;
- (g) Obtaining certifications for the Company's systems from solar panel manufacturers and other relevant equipment suppliers;
- (h) Positive branding and reputation in the markets of operation;
- (i) Financial soundness which is required to ensure the continued operation of the Company in the eyes of customers (inter alia in light of the long contract period for the provision of maintenance services, which usually stands at 20-25 years);
- (j) Competitive prices comparing to other companies in the area of activity.

7.7 Changes in Supplier and Raw Materials Array in the Area of Activity

The robotic systems and the technological platform that the Company provides to its customers are based, among other things, on the acquisition of a number of components and services. In this context, the Company has contracts with a number of suppliers and subcontractors for the purchase of various components that make up the robotic systems. Moreover, the Company contracts with various development service providers from time to time. As of the Report date, the Company has an agreement with a manufacturer in India responsible for assembling the robotic systems sold by the Company as well as a contract with a supplier of relay and communications components in Israel, which the Company's systems are adapted to.

Following the global crisis of goods with respect of chips and electronic components, as of the Report date there is severe shortage of raw materials, required to manufacture the Company's systems. Following the crisis, there has been a significant increase in the costs of raw materials required for the development and assembly of the robotic systems manufactured by the Company, which affect the production costs of robotic systems and damages the gross profit rates of



products. For details regarding the Company's methods of dealing with such crisis of goods, see Section 1.3.5 above.

For further information, see Sections 14 and 19 below.

7.8 Entry Barriers in the Area of Activity and Changes in it

7.8.1 In the Company's opinion, the factors listed below constitute the main entry barriers into the area of activity:

- (a) Development of efficient and proven technology;
- (b) Knowledge and experience in creating effective communications at solar sites characterized by communication difficulties;
- (c) Proprietary protection of the technology developed, the robotic systems and their components;
- (d) Knowledge and experience in research and development and in the provision of support and maintenance services of the robotic systems and the existence of skilled and professional personnel;
- (e) Obtaining certifications for the Company's systems by the leading manufacturers of utility-scale solar panels;
- (f) Financial resilience.

7.8.2 In the Company's opinion, the main barriers to exiting the area of activity are long-term contracts with customers as part of the provision of operation and maintenance services for the Company's robotic systems, which are usually for a period of approximately 20-25 years. As a rule, the Company is not permitted to terminate the agreement during the period and is not permitted to transfer its obligations to third parties without the customer's consent. For further details regarding the operating and maintenance agreements in which the Company engages with its customers, see Section 10.2 below.

7.9 Substitutes for Products and Services in the Area of Activity and Changes to Them

As of the Report date, the common substitute existing in the area of activity is the cleaning of solar panels using the manual cleaning methods, which involve the investment of manpower resources and the use of water (To the best of the Company's knowledge, manual cleaning methods are used in most utility-scale installations today). In general, manual cleaning methods are perceived as less efficient for utility-scale PV facilities, both in terms of duration and cost of resource use, and in terms of cleaning efficiency for maximum utilization of the solar panels' energy output. Therefore, this substitute does not meet existing needs of utility-scale photovoltaic



facilities for reducing energy production costs. Accordingly, the trend in the large photovoltaic installations market is a shift to the use of robotic solar panel cleaning systems to streamline facility maintenance while lowering their operating and maintenance costs and improving the facility's energy outputs.

In addition, attempts to develop additional products to deal with the problem of dust and sand on the solar panels have not been widely adopted in the industry, as detailed in Section 7.5 above.

However, the world of renewable energy is evolving and attracting many initiatives, including through technological developments aimed at cleaning solar panels to increase their output, and therefore there may be additional solutions for cleaning solar panels that may replace the Company's systems and accordingly may have a significant impact on the Company's business and profitability.

7.10 The Structure of Competition in the Area and the Changes to It

For details regarding the competition in the area of activity, see Section 13 below.

The Company's assessment and forecasts as stated in this Section 7 above, constitute Forward-Looking Information as defined in the Securities Law, which is not certain as it is affected by a range of factors some of which are beyond the Company's control and are detailed in Section 30 below.

8. Products and Services

8.1 Main products and services

The Company provides its customers with a technological solution for cleaning solar panels in facilities of the utility-scale type, which includes a "comprehensive package" of products and services consisting of robot fleets installed on the solar panel structures at the customer site and ongoing operation and maintenance services over 20-25 years.

The robotic systems are connected and operated remotely by the Company's cloud platform (Ecoppia AI) which stores and processes data and information about the activity of the robotic systems and enables remote control and monitoring of the robot's cleaning operations. The Company's products and services allow customers to automatically manage solar panel cleaning (as opposed to manually cleaning the panels), for maximum utilization of the solar panel's energy output potential.

It is noted that at the time of contracting with the customer (as early as the planning and construction phase of the PV installation or following its construction) and prior to installing the robotic systems at the customer's site, the Company usually provides its customers with advice and guidance regarding the adjustments required in the PV installation in order to accommodate



the Company's robotic system, depending on the type of solar panels in the customer's possession, the topography of the site and the construction proposed by it (see the description below). Also, in the three robotic solutions offered by the Company, the customer is required to build an infrastructure which must comply with certain constraints (such as slopes).

As of the date of installation of the robotic systems at the customer's site, the Company regularly provides the customer with operating services, technical support and maintenance for the robotic systems, throughout the entire period of their use at the customer's facilities. The Company also provides its customers, on a monthly, quarterly and annual basis, reports and information related to the cleaning of the solar panels, maintenance work performed or were required, troubleshooting and recommendations for future operations. For the maintenance of the robot's operation, the Company uses software that allows real-time updates of the robot's charge level and status regarding all other essential components in the robot and their lifespan, which ensures that maintenance work is scheduled well in advance. For further details regarding the maintenance agreements in which the Company has contracted with its customers, see Section 10.2 below.

It is noted that the Company's products consist of a number of main sub-assemblies, each of which has a different lifespan, which generally ranges from 2-5 years. As part of the operation and maintenance services provided by the Company to its customers, it repairs and replaces the components of the robotic systems when needed. As of the Report date, the Company has carried out a complete replacement of its systems at most of the sites and verified its estimates, in relation to each project, regarding the expected maintenance costs over the life of the project. Consequently, the Company does not anticipate a decrease in the gross profit margin arising from the maintenance services in respect of its existing agreements.

As of the Report date, the Company offers three types of robotic systems. The cleaning operation is performed by a system of robots that perform the cleaning mainly in the early hours of darkness in order to prevent shading on the panels during power generation (in such a way that the power output will not be damaged), and a robotic system is installed on each row of solar panels. The operation of the robots does not involve the use of water or an external power source, and they are powered by batteries that are charged using dedicated solar panels for each robot. The charging action occurs during the day while the robots are inactive.

The capabilities of the robots include, among others, the following:

- (a) The ability to maintain high output of the solar panels by regular cleaning - the robot is responsible for cleaning the panel of a variety of dirt on a daily basis, specifically dust. By repeated cleaning cycles, the robot is usually able to handle even tough dirt (such as mud) that may accumulate on the solar panels. The cleaning is performed without the use of water, utilizing airflow, gravity and micro-fiber contact.



- (b) The ability to preserve the quality of the solar panel, its efficiency and function in harsh weather conditions - most solar facilities are located in desert areas which require proper maintenance in order to maximize their output in the process of solar energy generation. Using the Company's systems enables faster recovery from a dust storm event compared to manual cleaning that may take a long time (sometimes even several weeks).
- (c) The ability to detect and alert regarding various obstacles that may interfere with its function as an absorber of solar energy, such as foreign objects (e.g., tree fragments), or other obstacles.
- (d) The ability to communicate and report to end users at any given time regarding alerts, weather data, status of cleanliness, battery status - such as sending real-time alerts regarding the presence of foreign objects.
- (e) The ability to perform self-charging as needed, using a dedicated solar panel - i.e. the charging of the robot's battery is carried out without human intervention also by the use of renewable energy.

The following is a description and main characteristics of the Company's products and services in the area of activity:

E4 Robotic System

This solution allows a cleaning operation with coverage of up to 2,000 square meters per day. The E4 system is designed for Ground Mounted Fixed Tilt Solar PV installations in which the robots move along a track (which the customer is required to install). The cleaning operation of the robots is carried out using gravity to move dust particles down and off the panels. During the cleaning operation the robots move along a rigid aluminum frame using wheels coated with a material enabling smooth movement (even between the panels, without gaps) and without any pressure on the solar panels, as opposed to some of the solutions offered by the competitors. Each cleaning robot is powered by five electric motors - two motors driving the horizontal movement along the row of solar panels, two motors driving the vertical movement up and down, and one motor operating the rotation of the micro-fiber parts. As of the Report date, the majority of the Company's existing system installations are of type E4.

However, it is noted that as a result of the price increase described in Section 1.3.5 herein following the crisis of goods, and due to increasing competition involved with this type of products, the Company recorded a slow down in the sales of the E4 system during 2021. The Company estimates that the sharp increase in the product costs for its customers and the continued trend of price pressure in the solar system cleaning industry will make it difficult for the Company to market the product in the future.

As a result, as of the Report date, the Company has discontinued the production of this type of robots and examined the depreciation of the inventory of systems in its disposal, such that as of December 31, 2021, the amount of depreciation recognized in the Financial Statements for 2021



is USD 747 thousand. For further details regarding the depreciation in the inventory made by the Company, see Note 7 in the Financial Statements.

As of the Report date, the Company acts to identify potential customers for the robots in its disposal and to locate other markets in which there will be demand for the product.

As of the marketing date of the H4 system, the Company intends to market it to its customers. At the Company's estimate, it is expected to be the Company's primary product for Ground Mounted Fixed Tilt Solar installations and replace the currently existing E4 system.



T4 Robotic System

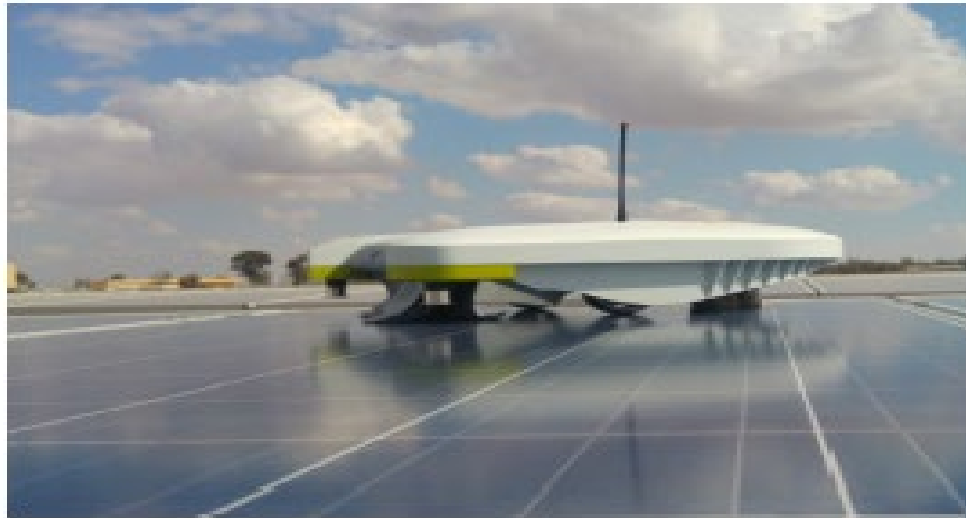
The T4 Robots are designed for cleaning of solar panels in Single Axis Trackers (SAT) facilities (see image below) which are flat-laid surfaces, with the ability to move on an axis for improved absorption of sunlight during daylight hours and increased energy output. Using a fleet of robots of this type, the cleaning operation is carried out at a scope of up to 400 square meters per day. In order to use this type of robotic solution, the customer is required to install parking spaces and mini-bridges that enable passage between the solar tables (trackers), in accordance with the Company's guidelines.

The robot cleans the row of solar panels using a method that combines rotation of soft pieces of micro-fiber cloth, creating a flow of air which pushes the dust particles off the solar panels. The robot's navigation operation is performed by using sensors and other technological components, which enable the robot to detect the boundaries of the solar panels, while moving between the panel spaces and navigating optimally and efficiently for the purpose of their cleaning, thus making the panel cleaning completely autonomous and requiring no labor or operators.



It is noted that the T4 Robotic System technology is based on the proven principles of E4 (the older product) and both have the same control system. As of the Report date, the T4 systems have been installed in three projects worldwide, and the systems are in the process of installation at 6 additional projects. Moreover, the product has received certifications of several solar panel manufacturers and has been tested by external laboratories.

However, it is noted that the software versions, hardware, and some of T4 systems are preliminary in terms of scope of use and the Company continues its activity to upgrade and update the product. It is further noted that there are still several software and hardware bugs that cause an increase in the operation costs of the product in projects in which it was installed comparing to Company's evaluations, which may harm the Company's profitability. As a result, the product is expected to undergo continued upgrades and improvements in accordance with the needs of the Company's customers over the forthcoming quarters, in order to reach the high level of operation guaranteed to customers as well as optimal efficiency.



H4 Robotic System

Further to Section 1.3.1 above, and in accordance with the resolution of the Company's Board of Directors, in the course of the Report period, the Company began development of a new H4 robotic product. This is a dual system designed both for Ground Mounted Fixed Tilt Solar PV installations and Single Axis Tracker (SAT) installations of certain models. The Company intends to expand the compatibility of the system to an increasing number of SAT models which are manufactured by leading global companies in this area. The coverage of



this product is expected to be significantly higher than the E4 product and depends mainly on the length of the planned lines on customers' sites.

At the Company's estimate, the production cost of the H4 system is expected to be lower than the E4 system as well as the costs involved for the customer in installing the system in Solar Facilities, *inter alia*, since the H4 system does not require the construction of aluminum frame along the solar panels.

As of the Report date, the H4 system is in advanced development stages, and during the Report period the Company began commercial marketing and signed a first agreement for the sale and installation of this system, as specified in Section 1.3.4 above. At the Company's estimate, the Company will begin mass production of the H4 system in the course of Q3 2022.

Wishing to reduce the prices of the robotic systems for the Company's clients in order to cope with existing market competition, the Company began focusing its marketing and sale efforts in the H4 system among clients as part of constructing new projects. Accordingly, the success of the marketing and sale of the H4 system is expected to have an impact on the mix of robotic systems marketed and sold to the Company's customers (such that new H4 Robotic Systems will be marketed more than E4 Robotic Systems and subsequently also T4). At the Company's estimate, it is possible that until the commencement of the commercial marketing of the new robotic system, there will be a decrease or delay in the Company's revenues from new projects.

The abovementioned information regarding the development of the new robot, its performance and the projected installations of the product is Forward-Looking Information, as defined in the Securities Law, which is uncertain and is based on estimates, evaluations and information the Company has as of the publication date of this Report. In view of the foregoing, the information may substantially change comparing to the above-mentioned estimations, depending on factors that are outside of the Company's control, new information to be received by the Company, and the realization of any of the risk factors related to the Company, as detailed in Section 30 below.

Ecoppia AI

The cleaning operations of the solar panels, both by E4 systems and T4 systems, are managed remotely via the cloud platform and allow the system operators (Company) to perform a variety of operations, including scheduling a cleaning operation, adding a cleaning cycle, shutting down or operating individual robots or the entire fleet of robots. The system also feeds on information coming from local weather stations and weather forecasts drawn from external meteorological information provider and independently analyzes whether the system should be activated or



returned to the docking station. In addition, all data relevant to the robots' cleaning operations is stored in the system and presented to operators in a way that allows them to manage, monitor and analyze the operations performed by the robots and their efficiency. The Company's customers have access to dashboards that show the operation in various time segments, how many robots have performed full cleaning, faults, weather conditions during operation, etc. In the case of a new customer, the Company performs a trial run and provides it access to the display panel.

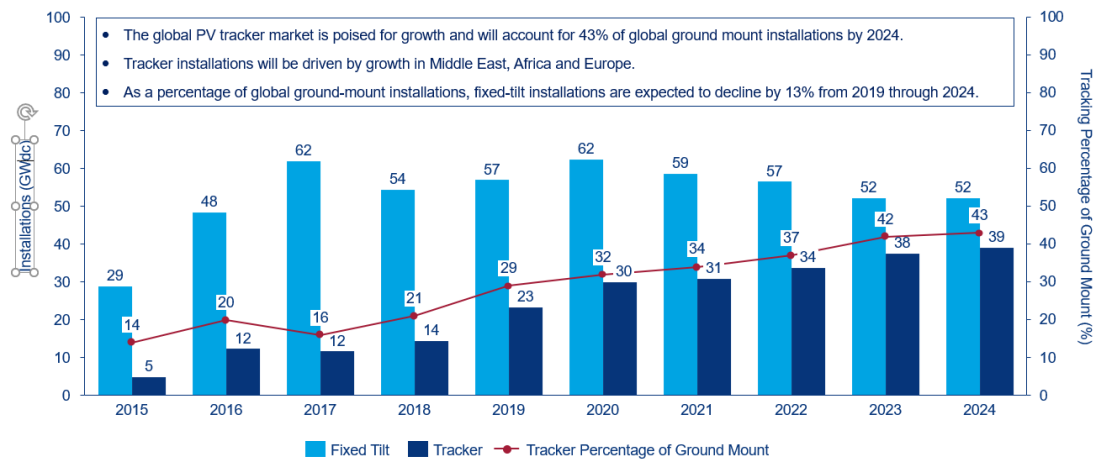
It is noted that as of the Report date, Ecoppia AI technology is not a separate product of the Company and constitutes part of the robotic systems sold by the Company. As part of the Company's strategy in its research and development activities, the Company intends to work to develop additional capabilities to the Ecoppia AI technology in order to expand its use, creating additional benefits for PV installation operations, including the processing of information in order to fully automate solar sites and provide customers with additional services. For further details, see Section 26 below.

8.2 Trends in relation to the supply and demand of the Company's products

Most of the existing solar facilities today are built with the Fixed Tilt technology (for which the E4 and H4 systems are intended). The main factors influencing the choice of the type of installation are: the geographical area in which the facility was built, the land contour, the costs of the solar panels and the prices of energy. As of this date, there is a global trend of an increase in the construction of SAT facilities that is expected to continue over the coming years, so that by 2024 the total number of SAT technology facilities is expected to make up about 43% of the total global installations, as described below⁷⁹:

Tracker installations growth expected to be 28% YOY in 2020 and slowing down in subsequent years

Global PV ground mount installations, 2015 – 2024E (GW_{dc}) (%)



⁷⁹ Wood Mackenzie: The global PV tracker landscape 2019 Report



The growing trend in the transition to the production of SAT facilities is expected to increase the demand for the T4 Robotic Systems in the coming years.

The foregoing is Forward-Looking Information, as defined in the Securities Law, based on information beyond the control or beyond the sole control of the Company, and which is not certain. Results in practice may differ materially from the aforementioned Company assessments, inter alia, if there is a change in one or more of the risk factors entailed in the Company's operations, set forth in Section 30 below.

8.3 Significant Changes Expected in the Company's Share in the Primary Markets of Products and Services in the Area of Activity

In the Company's opinion, the growing demand for the Company's products and services which stems, among other things, from the global growth in the construction of photovoltaic facilities and the market potential inherent in existing facilities and installations under construction, is expected to continue in the foreseeable future. However, in light of the various factors affecting the photovoltaic installations industry, the increasing competition by companies that develop competing products, and the possibility of the realization of the other risk factors affecting the Company, at this date the Company is unable to assess the anticipated changes in the Company's market share regarding the products and services it provides in the area of activity.

9. **Breakdown of Revenues from and Profitability of Products and Services**

The following are details regarding product and service groups whose aforesaid rate constitutes 10% or more of the Company's total revenue:

	Revenue (in USD thousands)		Percentage of the Company's total revenue	
	For the year ended December 31, 2021	For the year ended December 31, 2020	For the year ended December 31, 2021	For the year ended December 31, 2020
Sales	4,681	2,066	79%	68%
Maintenance services	1,224	966	21%	32%



10. Customers

10.1 General

The Company's customers include international and Israeli entrepreneurial companies operating in the field of energy production using solar panels, which are interested in establishing solar facilities, as well as companies that own and operate such facilities and are interested in improving and streamlining the energy production and maintenance of such solar systems.

As of the Report date, most of the Company's operations are taking place in the solar installations market in India and Israel, and the Company has a lower volume of operation (and at various stages) in the United States, Latin America, South Europe, and in the Middle East, and intends to expand its operations in these and other regions. As of the current date, the Company's systems are installed and in the process of being installed with 16 customers in 7 different countries.

It is noted that some of the Company's customers are repeat customers, who following the first contract have entered into agreements with the Company regarding additional existing facilities and future installations scheduled for construction by them (as detailed below).

As of the Report date, the Company's contracts with its customers are not dependent on the electricity tariffs received by the customers, and the prices between the Company and the customers are determined in advance according to the agreements between them for the entire duration of the agreement.

To date, the Company has contracts for the installation of the Company's systems and their maintenance totaling 17,470 Megawatts (of which 15,750 Megawatts are in respect of framework agreements and memoranda of understanding). Out of them approx. 3,660 Megawatts have already been installed or are being installed.

10.2 Characteristics of the Company's Contracts with Customers

As of the Report date, the Company usually contracts with its customers under several types of agreements, as detailed below:

A. Robotic Systems Sales and Installation Agreements

The Company enters into agreements with its customers for the sale and installation of the robotic systems, under which the Company undertakes to manufacture, assemble and install the robotic systems at the customer's site, and undertakes to provide the systems to the customer in accordance with a set schedule for each agreement, usually within 6-9 months.



Generally, the consideration paid by the customer for the purchase of the robotic systems, their supply and installation, is determined in accordance with the negotiations between the parties. In some of the agreements, the total consideration is calculated according to the price of the robot determined, multiplied by the number of robots sold to the customer. In addition, there are agreements in which the total consideration consists of the said calculation and additional components provided by the Company to the customer as part of the agreement for the purpose of operating the robots.⁸⁰

The method of payment is usually made according to the progress of the supply, in line with milestones determined in advance between the parties to the agreement (usually the milestones are the signing of the agreement, the delivery of the robotic systems, installation and start of operation). The milestones and the rate of payments in each of them vary between the agreements, depending on the negotiations between the parties, and usually the significant milestone is at the time of delivery of the systems to the customer. Normally, at the completion of the installation of the systems, there is an acceptance procedure with the customer's confirmation.

The sales agreements usually include a warranty period for the robotic systems for a specified period, which includes repair or replacement of defective parts, to be provided within a period of time agreed between the parties to the agreement. In addition, the agreements include an indemnity clause according to which the Company undertakes to indemnify the customer in the event that it has suffered damages or losses as a result of using the Company's robotic systems, in accordance with the terms set forth in the agreement.

In some cases, the Company is required to provide a bank guarantee to ensure the performance of its obligations under the agreement, for an amount determined as a rate (lower) than the acquisition amount, starting from the date of delivery of the systems to the customer and for a limited period, as agreed between the parties to the agreement, Section 20.3 below).

The sale agreements include standard cancellation clauses under appropriate circumstances (such as a material breach of the agreement or in the event that the Company becomes insolvent, etc.).

The delivery and installation dates of the Company's products according to the agreement, and the resulting consideration from the customer, also depend on the customers meeting their schedules for completion of the photovoltaic installations on which the robots operate, and the adjustment of the installation infrastructure to the installation of the

⁸⁰ For information about an agreement with a customer that includes profit sharing, see Section 3.5 above.



robots (which generally is the customer's responsibility). Accordingly, in case of delays in the completion dates of the installation or in the adjustment of the infrastructure, the date of delivery of the systems and their installation in the customer's facility may be delayed and as a result there may be a delay in receiving the consideration (since installation of the robots is the last step in the facility's construction process).

B. Operation and Maintenance Agreements

In addition, and concurrent to engaging in sales agreements for the installation of robotic systems, generally the Company also enters into agreements with its customers for the operation and maintenance of the robotic systems (which are separate from the sale agreements and are not conditional on them), for a period usually ranging from 20-25 years. These services include, among others, monitoring the functioning of the robotic systems, identifying and alerting with regards to system faults, replacing parts, troubleshooting, communication costs and providing access to customer employees (or other relevant parties) for remote monitoring of the robotic systems (for further details regarding operation and maintenance services, see Section 8 above).

In general, the annual consideration paid by the customer for the operation and maintenance services is determined in negotiations between the parties, usually in accordance with the number of robots installed at the customer's site and is usually paid on a quarterly basis. The Company has entered into operation and maintenance agreements with a number of customers according to which the annual return varies and is determined by the level of efficiency of the Company's systems (energy supplementation versus manual cleaning) and the savings in water and manpower resulting from the use of its products.

Under the operation and maintenance agreements, the Company undertakes that throughout the term of the agreement, all maintenance of the robotic systems (including repairs and replacements if necessary) will be carried out by the Company, and that the systems will be available for use (except when systems are disabled due to treatments and repairs or weather conditions which do not permit cleaning) most days of the year, and that it will indemnify the customer for lower than guaranteed availability or as a result of defects in the cleaning operation of the solar panels (subject to the provisions of the agreement). As a rule, the maintenance services will also include carrying out repairs that are included in the warranty given to the Company's products under the sales agreements.

Most maintenance agreements include an indemnity clause for damage to body or property caused to the customer. Following events which are due to the Company's negligence in providing the services, as well as upon the occurrence of certain incidents (accidents, leaking of hazardous materials, fire etc.), the customer will be entitled to terminate the agreement.



In accordance with the agreement, the customer has the option to terminate the contract upon the occurrence of a "breach event" by the Company, which is defined in the agreement, inter alia, as follows: (1) non-payment by the Company in accordance with the provisions of the agreement; (2) the initiation of insolvency proceedings against the Company⁸¹; (3) no insurance policy has been maintained as required by the agreement; (4) a material breach of the agreement has occurred which was not amended within an agreed period of time.

In addition, some of the maintenance agreements (as of the Report date, only about 8% of the Company's total contracts in these agreements) include the option for early termination of the agreement by the customer at an exit point requiring prior notice within a time frame determined by the parties to the agreement and usually ranging between 5-7 years from the date of the contract. It is noted that such termination of agreement scenarios by customers are rare and as of the Report date the Company has no experience of such cases since the start of its operations.

In some of the maintenance agreements, a variable consideration was set based on the improvement in the amount of energy produced by the solar systems following the use of the robotic systems, or a mechanism was established according to which in the event that the increase in energy produced during the first two years from date of supply of the robotic systems falls below a certain percentage, as provided in the agreement, the Company shall be required to compensate the customer by a predetermined amount, as provided by the agreement.

10.3 Framework Agreements and Memoranda of Understanding

In addition to contracting with its customers in sales and installation agreements and in operation and maintenance agreements, as detailed above, the Company has also entered (directly or through Ecoppia India) with some of its existing and potential customers into framework agreements and memoranda of understanding, for the installation of the Company's systems and the provision of operation and maintenance services at the customer's future photovoltaic facilities.

In general, these agreements stipulate that for future projects planned by the customer, in the event that the customer wins additional tenders for the construction of solar facilities in the future, or initiates the construction of new energy producing installations, the customer and the Company will enter into a sale agreement and an operation and maintenance agreement regarding these facilities. In addition, these agreements usually set out additional terms for the contract, which relate, inter alia, to the performance of the systems, to the execution of

⁸¹ It should be noted that in some cases the company undertakes to deposit the system's source code and additional diagrams of the software in trust so that in case of insolvency of the Company the customer is able to receive the operation and maintenance services through another vendor.



feasibility tests by the customer and other stipulations, and in some cases the realization of the contract is at the customer's discretion.

In addition, in some of the framework agreements and memoranda of understanding in which the Company has entered, the sale prices of the Company's systems and the cost of operation and maintenance services for them were determined, insofar as these were to be implemented in accordance with the terms set forth in the agreement, and in some it is stipulated that the terms would be determined in accordance with an agreement by the parties as part of negotiations to be held at a later stage.

The Company entered into 7 framework agreements and memoranda of understanding, which are in force as of the publication date of the Report, for the installation of a total of 15,750 Megawatts⁸². It is noted that most of the framework agreements and memoranda of understanding are time-limited (mostly for a term of approx. 4 years) and to certain geographic regions or countries.

It is clarified that it is not possible to estimate the sales volume arising by virtue of the framework agreements and memoranda of understanding described above. This, inter alia, in view of the uncertainty regarding the customer's winning of tenders for the construction of the facilities in the relevant country, the parties' compliance with additional conditions specified in some memoranda of understanding and framework agreements and the lack of binding agreements with the other party in the framework agreements and memoranda of understanding.

In view of the foregoing, to date the Company is unable to assess the volume of the contracts that will materialize, if any, under the framework agreements and memoranda of understanding described above.

The Company's assessments in this section above, regarding performance of framework agreements and memoranda of understanding listed above, constitute Forward-Looking Information as defined in the Securities Law. This information is based on the Company's evaluations and management experience. As of the Report date, there is no certainty that this information will be realized, in whole or in part, inter alia as a result of factors beyond the Company's control, including whether one or more of the risk factors listed in Section 30 below will be realized.

10.4 Revenue from Major Customers

The following is a list of customers the revenue from whom constitutes 10% or more of the Company's revenue in the relevant periods:

⁸² It is noted that the scope of engagement in the described framework agreements and memoranda of understanding is stated in Megawatt in the agreements themselves, which have varying level of certainty – both with respect of their possible realization and the number of robotic systems required to realize them. Accordingly, the scope of framework agreements and memoranda of understanding is in Installed Capacity.



	For the year ended December 31	
	2021	2020
	Percentage of total revenues	
Customer A - Solardirect Engie	41%	8%
Customer B - SPRNG Energy	20%	-
Customer C - Azure Power Forty-Three Private Limited	10%	58%
Customer D	10%	0.2%

Depending on the nature of the Company's operations, most of the revenue from its major customers in the periods described above derives from relatively large scope sales in a limited number of sales agreements for which the Company recognized revenue during the relevant period, after which ongoing revenue is received from customers for systems operation and maintenance. This nature of operation is expected to create relatively high volatility of sales and profitability turnover. It is noted that generally, the annual maintenance cost to a customer account for about 8-10 percent of the sale price.

10.5 Distribution of Revenues from Customers by Geographical Regions

	For the year ended on	
	December 31, 2021	December 31, 2020
	Percentage of total revenues	
India	90%	82%
Israel	8%	14%
Other	2%	4%

10.6 Dependence on Major Customers

As of the Report date, the Company is not dependent on a single customer whose loss would materially affect its area of activity. As of the date of its contract with its customers under the sale and installation agreements (which generated the lion share of revenue from the customer in the relevant periods presented in Section 10.2 above), the Company's revenue from the customer is derived from operation and maintenance agreements spread over a period of 20-25 years and which as of the Report date the annual revenue from them, per-customer, is



immaterial to the Company. However, scheduled contracts with an existing customer of the Company in a given year regarding additional facilities under construction or additional facilities owned by it may have a material effect on the Company's revenue in the relevant year.

11. **Marketing and Distribution**

As part of the Company's marketing strategy, it strives to build awareness in the market for its products and services among solar entrepreneurs, EPC companies constructing solar sites on behalf of entrepreneurs, government and environmental organizations, funding bodies and more, while establishing its position among potential customers as offering the best solution for the cleaning of solar panels in utility-scale facilities.

As part of its marketing activities the Company operates in a number of ways, of which the main ones are listed below:

- (1)Product documentation and placement – In the context of positioning the Company's technology as the optimal alternative to the traditional cleaning market, the Company hosts delegations from the renewable energy arena, provides demonstrations and pilots for the customer's management decision makers, government officials, renewable energy experts, technology companies, journalists and analysts. In addition, the Company participates in official government delegations of the State of Israel to various international events focused on technology / energy such as COP21 in Paris, Israel's President to India, Israel's Prime Minister to India and others.
- (2)Website – The Company's website provides information about its products, some of the regions where the products are installed and ways of contacting the Company.
- (3)Press releases and public relations – Publication of press releases in connection with projects which the Company has won, Company's contracts with customers, new deployments of the Company's systems, approvals received and relevant milestones, such as significant raising of capital and debt by the Company. The announcements published so far have aroused media interest and have been covered in commercial media, national media and technology publications in a number of countries.
- (4)Participation in events and conferences – Participation in selected events in industry and technology.
- (5)Laboratory tests – In order to gain customer trust and ensure the reliability of the Company's products as part of a long-term contract with its customers, the Company performs reliability tests of its systems at the PI Berlin Institute. For further details see Section 7.27.2 above.
- (6)Certifications from solar panel manufacturers – the Company has received and continues to seek receipt of certifications from the various manufacturers of solar panels to ensure that their product warranty to the Company's customers is maintained following the installation and operation of the Company's systems. For further details, see Section 7.27.2 above.



(7)Collaboration with other players in the value chain – The use of anti-reflective coating (ARC) for solar panels has been widely implemented in recent years, in an attempt to protect solar panels exposed silicon from surface reflection. Since manual cleaning has been shown to harm ARC and eliminate the potential benefits of the coating, the Company has partnered with some of the leading coating manufacturers to test new coating layers along with the Company's cleaning solutions. This test demonstrated that the Company's cleaning solutions preserve the delicate coating over a significantly longer period than the manual cleaning alternative.

(8)Brokerage and consulting agreements – the Company enters into brokerage and consulting agreements with external service providers for the purposes of marketing and distributing its products. For details regarding the contract in such agreements, see Sections 3.7.3 and 3.7.4 in Chapter 3 of the Prospectus and Article 22 in Chapter D below.

In addition, the Company employs senior salespeople who lead the Company's marketing and sales efforts, including sales managers and VP of Asia, who within their role locate potential customers and hold meetings with potential customers. The Company plans to expand its sales network to support the need and demand for its products. In addition, the Company engages well-known business entities in the market specializing in locating potential customers.

For details on the impact of the corona events on the Company's marketing activities, see Section 6 above.

The Company is not dependent on its marketing channels.

It is noted that in August 2013, the Company entered into an agreement with a third party, which is a customer of the Company in Israel, for the exclusive distribution and sale of its products and services in Israel, which will be performed solely through it (in this section: "**Distributor**" and "**Agreement**", respectively). In May 2016, an amendment to the agreement was signed by the parties ("**Amendment to agreement**"), in the framework of which the Company reached agreements with the distributor regarding the revocation of its exclusivity right in the agreement with regards to the sale and distribution of the Company's products in Israel, and in return the Company undertook to pay the Distributor royalties at the rate of 10% of its annual revenue from sales in Israel (sales to customers who are not the Distributor), to the extent sold up until May 23, 2026. Furthermore, under the amendment to the agreement, the Distributor will be entitled to an amount at a rate of 10% of the Company's annual revenue in respect of operating services from such sales, and throughout the entire contract period with the customer (the "**Royalties**"). Moreover, as part of the amendment to the agreement, the Company undertook not to enter into a distribution agreement for the sale of its products and services in Israel, and that these would be carried out solely by the Company, directly to the end customers. It is noted that the royalties paid to the distributor for the years 2020 and 2021 amounted to approximately USD 18 thousand and approximately USD 22 thousand, respectively.



In the Company's estimate, the amounts to be paid to the Distributor in the coming years will be in the order of a few hundred thousand dollars a year. Moreover, given the Company's intention to expand its operations mainly in overseas markets, the domestic market is expected to account for only a small share relative to the Company's operations.

12. Order Backlog

12.1 The backlog of orders for the sale of the Company's systems and for the provision of operation and maintenance services for the systems in the area of activity, as of December 31, 2020 and December 31, 2021, amounted to approximately USD 42,444 thousand and USD 45,615 thousand, respectively. As of March 31, 2022 (near the Report's publication date), the order backlog totaled approximately USD 48,772 thousand USD.

As of the Report date, the order backlog in the area of activity mainly includes expected revenues from operations and maintenance services to the Company's existing customers, arising from the sale of 9,800 installed robotic systems, distributed as follows:

	Order backlog as of December 31, 2021	Order backlog as of March 30, 2022 (near the Report publication date)
First Quarter 2022	430	430
Second Quarter 2022	615	615
Third Quarter 2022	2,632	3,451
Fourth Quarter 2022	1,702	1,727
2023	2,100	2,200
2024	2,100	2,200
2025 and thereafter	36,036	38,150

It is noted that the order backlog detailed above refers to the Company's expected revenues in respect of binding orders under sales and supply agreements and operating and maintenance agreements with customers. Accordingly, the backlog does not include orders expected under framework agreements and memoranda of understanding (as stated in Section 10.3 above), nor does it include the non-guaranteed portion of revenue from operating and maintenance agreements which may be subject to early cancellation by the customer (as specified in subsection B above).



As a result of the corona crisis, delays occurred in the installation of the robotic systems at some of the Company's customers, including as a result of delays in completing the construction of solar facilities by customers, which caused, inter alia, a postponement of the installation of the Company's systems at its customers, and accordingly a delay of the timing of recognition of income for them by the Company.

Thus, projects signed by the Company and for which delivery dates were planned for 2020, were postponed to the second half of 2021. Furthermore, orders of projects that were expected to be received by virtue of the framework agreements signed in late 2019 and early 2020 were postponed and partly signed in the second half of 2021 and after the Report date, thus their delivery is expected to take place only in 2022. Accordingly, in the Company's estimate, with and subject to the installation of the robotic systems and receipt of the consideration for them, during the coming quarters, the revenues in respect of the robotic systems whose installation was postponed as mentioned will be recognized. In the period from December 31, 2021, to the publication date of this Report, the Company received orders for the supply of products and services in the area of activity totaling approx. USD 3,157 thousand.

As stated in Section 10.3 above, apart from its entering into sales agreements and operation and maintenance services agreements, the Company also enters into framework agreements and memoranda of understanding with some of its customers. As mentioned above, the Company's contracts under these agreements are not included in its order backlog. As of the Report date the Company has potential contracts for the sale of its systems and for the provision of operation and maintenance services for them within framework agreements and memoranda of understanding as aforesaid, totaling 17,750 Megawatts (of which 1,940 Megawatts installed).

For details regarding the framework agreements and memoranda of understanding in which the Company is engaged as of the Report date, see Section 10.3 above.

The Company's estimates regarding the order backlog, for the quarters and years mentioned, constitute Forward-Looking Information as defined in the Securities Law. This information is based on the Company's evaluations and management experience on the basis of previous contracts. As of the Report date, there is no certainty that this information will be fully or partially realized and it may not be realized, inter alia, in the existence of the factors described in this section above as well as in case of delays in the schedules specified for the execution of transactions and delivery of products or cancellations, among other things due to the spread of the corona virus, that are beyond the Company's control, or in the event that conditions for recognizing income in respect of the supply of the products or the provision of operation and maintenance services don't come to fruition or if any of the risk factors listed in Section 30 below materialize.



13. Competition

13.1 General

As of the Report date, the Company competes in the field of technological solutions for dry cleaning of utility-scale solar panels, which provide a solution in dry geographical areas, characterized by relatively limited effective competition. To the best of the Company's knowledge, there are additional types of robotic systems for cleaning solar panels that have been developed by other companies seeking to offer such solutions designed to replace the manual cleaning methods. The Company is in opinion that the constant growth in the photovoltaic installations market in many markets around the world, and the need for optimal utilization of energy output, which manifests in attempts to develop additional technological solutions to improve energy efficiency through solar panels, may attract additional companies to this evolving field.

The companies active in the Company's area of activity are measured according to the ability of the robotic systems to increase the solar panels' output, their quality and reliability over time, the overall cost of use to the customer, from the acquisition and throughout operation (including maintenance and service), as well as according to certifications relating to products that have been tested by independent professional bodies (as specified in Section 7.2 above).

However, to the best of the Company's knowledge, the robotic systems it sells have a competitive advantage, which is reflected, among others, in the strict certification and control processes that the Company's systems have undergone, the operational experience the Company has gained over its years of activity, and its contracts with the large, leading customers in this industry.

To the best of the Company's knowledge, as of the Report date, there are no companies in the Company's field who have received ISO (International Organization for Standardization) certification, or who have experience in the supply of robotic systems to many Tier-1 energy producing companies as does the Company.

At this time, the Company cannot assess its share of the global market in relation to the provision of robotic solutions for cleaning and maintaining utility-scale solar panels in areas relevant to its operations (including in terms of climatic conditions), but in its estimation, its share of the robotic cleaning market in markets where it has operated over time (Israel and India) is over 80% and therefore it is a leading player in the markets of the area of activity.

13.2 The Major Competitors in the field of Activity

To the best of the Company's knowledge, the active companies currently offering robotic solar panel cleaning are: Solbright, which, to the best of the Company's knowledge, operates mainly in the Chinese market and as of the Report date is expanding into the international market; Boson, which started marketing its products outside China and Mongolia; Solar lit, which is a subsidiary of a large Chinese corporation in the industry of solar energy, and which, to the best of the Company's knowledge, has completed one project outside China; Airtouch, which



developed several solar panel cleaning products and which, to the best of the Company's knowledge and according to public publications, performed installations with several customers in Israel and India, in which it started operating during 2020.

In addition, there are other manufacturers who to the best of the Company's knowledge do not currently have a significant market presence: Ecovacs, whose main focus is robotic home appliances; Serbot AG which has yet to complete a large scope deployment; SunPower which is an American Company and which as of the Report date uses a solution to clean a small number of solar panels; Blade Ranger, which, to the best of the Company's knowledge, is in the development stage of its products, and Nomadd, which operates in Saudi Arabia, and which, as of the Report date, is still lacking proven experience of deploying the devices in Solar Facilities.

To the best of the Company's knowledge, as of the Report date, the solutions offered by the Company throughout its years of operation have technological superiority, proven efficiency, and a high level of availability, in the following aspects:

- a. **Geographical distribution and customer characteristics** – The products currently on the market have a lower number of commercial installations as part of contracts with international energy players (outside China), relative to that of the Company;
- b. **Quality of cleaning** – The cleaning by competing products is carried out horizontally and not longitudinally as do the Company's systems (dragging the dust along the row), and thus their efficiency is inferior.
- c. **Technology** – The competing products do not enable full data upload to the cloud as does the Company's system for full monitoring and control of the robots remotely.
- d. **Reliability and efficiency** – To the best of the Company's knowledge, no competing product has performed efficient and reliable cleaning over a period of years, without significant malfunctions or damage, as performed by the Company's robotic systems.
- e. **Production lines** – The Company's products are assembled in a factory that meets military technology production standard (MIL SPEC) and as such undergo a series of tests and quality and reliability tests during the assembly phase and prior to leaving the factory. The plant has successfully passed a number of audits by European bodies, including the company's customers, who conducted proper tests in respect thereof and confirmed its compliance with European standards of quality, working conditions, sanitation and the environment. In addition, of the thousands of systems assembled at the plant, so far no system has been returned and no fault was found at the point of delivery to the Company's customers.
- f. **Product supply** – The supply of products and their adaptation to the types of facilities and existing solar panels offered by most competitors is inferior to that offered by the Company.

However, while at the Company's estimate its products have significant advantages comparing to products offered by competing companies, it is noted that these advantages relate to quality, and generally the Company prices its products at higher prices comparing to those of its competitors.



During the Report period, the Company has dealt with increasing competition by competing companies in the area of activity which offer solutions for lower costs (purchase and installation) to customers.

For the purpose of coping with such competition, the Company began development of the H4 robot, as detailed in Section 1.3.1 above.

13.3 The Company's Main Methods of Addressing Competition

The Company deals with existing competition and possible future competition in a number of ways: (a) Investing resources in the development of the Company's technological platform and robotic systems, obtaining certifications for reliability, efficiency and safety of the systems from competent bodies and ensuring the quality and standard of operation and maintenance services provided to customers; (B) Diversification of the Company's products and their adaptation to technological developments and increasing competition in the photovoltaic solar market, such as the development of the T4 which is adapted to SAT technology, and the development of the H4 whose cost of installation is expected to be significantly lower for customers comparing to solutions currently offered by the Company; (C) Maintaining and improving relationships with senior executives at key customers; (D) Investment of resources in marketing activities aimed at customers, including demonstrations, quality tests, supplier certification (meeting the customer's criteria), presentation to senior levels in the organization, etc.; (E) Improving the Company's existing systems and strengthening their capabilities, including developing additional customer benefits in using the Company's technology; (F) Expanding contracts in framework agreements with customers for the purpose of continued growth through future contracts with such customers.

Moreover, the Company works to protect its intellectual property, both by registering its intellectual property rights and by taking action against attempts by third parties to infringe its rights (as detailed in Section 17.3 below), in a manner that enables it to maintain its competitive advantage in the various markets of the area of activity, including potential markets in which the Company intends to operate in the future. The Company applies for registration of its intellectual property rights in countries where it identifies potential activity (due in part to climatic conditions and the availability of water sources). As of the Report date, the Company's intellectual property is protected by 10 registered patents and 10 registration applications filed in various countries around the world. For more details about the Company's intellectual property, see Section 17 below.

The Company believes that the technology and systems it has developed and uses in the area of activity afford it a competitive advantage over other products available in the market, as well as its patented intellectual property, the quality of products and services it provides, the reputation it has gained as a major player in the area of activity and the unique contacts and trust it has developed with leading entities in the field of PV installations.



A. Positive Factors Affecting the Company's Competitive Position

In the Company's opinion, the positive factors affecting its competitive position include, among others, the following:

- (1) The Company's reputation and its cumulative knowledge and experience – the Company has rich experience and extensive knowledge in its area of activity, including meeting terms and requirements by customers which are standard in the field, as specified in Section 7.2 above. This, among other things, in light of the many projects the Company has carried out and in light of its ongoing association with the relevant parties in the field. Furthermore, over the years of its operation the Company has forged significant relationships of trust with players in the field who involve it in future plans for the purpose of possible collaborations;
- (2) Skilled and expert personnel – the Company employs employees and managers with technological, managerial, commercial and operational expertise who support the creation of technological solutions for areas relevant to the Company's operations and in the RF communications field, which is a significant challenge to the Company's competitors, in sales and commercialization of the Company's technology, in production management and supply chain planning which enables rapid and reliable growth, in the operation and maintenance of the products and services offered by the Company for the robotic systems and in the construction of the maintenance of the cloud technology on which the Company's systems are based;
- (3) Quality of products and services provided by the Company – The Company's products are of a high standard of reliability, integrate full automation and operate without human intervention (for example, during the lock down period around the world following the corona events, the robotic systems continued to operate) as well as a user platform for monitoring and analysis of the operation of the system;
- (4) Intellectual property – Patents are registered on some of the mechanisms of the Company's systems and their mode of operation in a wide variety of countries, including Israel, the United States, India and China, as well as registered trademarks in Israel, the United States and India;
- (5) Unique technological capability and methods of operation – which pose a challenge to competitors who have difficulty achieving the same level of reliability and stability of such products and services in the area of activity, including unique and effective cleaning and operating methods, some of which are protected by patents;
- (6) The Company's customers – the Company's customer base consisting mainly of large and well-known Tier-1 corporations in electricity supply through solar panels as well



as business partners, which enable the Company to provide a comprehensive response to market demand for its systems and services;

- (7) Attractive business model – the Company offers its customers a worthwhile deal in terms of initial investment, excess energy output made possible by operating the Company's systems, hedging operating costs against price increases of manpower and water costs, and significant reduction in future risks involving water shortages in arid regions;
- (8) Financing terms – the Company offers favorable financing terms to its customers, inter alia through international financing bodies such as IFC and World Bank Group. In addition, the Company's products are "Bankable" in a respectable list of banking corporations and are approved for financing its customers' installation projects.

B. Negative Factors Affecting the Company's Competitive Position

In the Company's opinion, the negative factors affecting its competitive position mainly include higher pricing of its products comparing to products of competing companies in the area of activity and technological developments in the solar panel market (as specified in Section 7.5 above), which may affect demand for the Company's systems and services. The Company estimates that increased competition in the field of activity arrives mainly from competing Chinese companies and is characterized by attempts to penetrate the market at low prices, and sometimes at a loss. As a result, such competition may affect the erosion of the Company's selling prices resulting in harm to its profitability.

However, the Company believes that the advantage of experience, reliability and quality of its products and services, together with the relatively low cost of the Company's systems to the customer in relation to the benefit arising thereof, as well as continued investment in improving the Company's existing systems and developing additional solutions at price ranges which are convenient to customers and will offer added value to its customers, will be an effective barrier over the coming years and will allow the Company to grow and capture a significant share of the market before competitors are able to position themselves at the same ranking as the Company.

The Company's estimates in this Section 13 above, regarding its competitive position in the market of the area of activity, regarding the Company's competitors and regarding the Company's advantages over its competitors and its ability to successfully deal with future competition in its area of activity, constitute Forward-Looking Information, as defined in the Securities Law, which is uncertain as it is influenced by a myriad of factors which are beyond the Company's control, including the risk factors in its area of activity, listed in Section 30 below.



14. Production Capacity

As of the Report date, the Company does not itself manufacture the products sold by it in the area of activity and does so by outsourcing through an Indian manufacturer (the "**Manufacturer**"). In general, the Company makes efforts to ensure the reliability and supply of the raw materials and components used to manufacture its systems in order to meet the required availability terms. As part of this effort, the Company requires the manufacturer to only contract with subcontractors approved by it and who are world-renowned with proven production capability in a way that enables the Company to meet the demands for its systems.

As of the Report date, the Company's management recognizes that there is a limit to the potential monthly production volume of the manufacturer. It is noted that the current production volume is significantly lower than the above limit and the Company management estimates that as the order quota increases and approaches the said potential production limit, the Company will seek to engage with an additional manufacturer. It is noted that there are a number of companies with a global deployment providing services similar to the manufacturer's services and the Company believes that if necessary, it can, without a significant change in costs and within 3-6 months, replace or expand existing production capabilities.

It is noted that in view of the cash flow difficulties encountered by the manufacturer in the past, which forced the Company to take on the financing of the cost of the raw materials, there is a concern that in the event of future financial difficulties, this will affect the manufacturer's production capability and its continuance of contract with the Company.

For details about the Company's contract with the manufacturer, see Section 19 below.

In addition, the global crisis of goods and shortage of chips and electronic components affect the availability of raw materials which are required to manufacture the Company's systems, and as a result its production capacity. The Company estimates that as this crisis continues, this may, in certain scenarios, affect its production capacity and ability to meet its undertakings to supply its products to its customers.

For details regarding the Company's addressing the global shortage of raw materials, see Section 19.4 below.

The Company's assessments regarding the manufacturer's production capacity and the Company's ability to increase existing and potential production capacity constitute Forward-Looking Information, as defined in the Securities Law, which is uncertain as it is affected by a number of factors beyond the Company's control which are specified in Section 30 below.

15. Fixed Assets, Real Estate and Installations

As of the Report date, the Company does not have any substantial fixed assets.



The Company entered into two lease agreements for its head offices, in Israel (Tel Aviv) and India, and a lease agreement for the Company's research and development complex, located in Misgav.

The rent paid by the Company by virtue of the aforesaid agreements is not a material amount.

16. **Research and development**

- 16.1 The issue of innovation and research and development, as a whole, is at the top of the Company's priorities from an understanding that technological leadership produces a competitive advantage. The Company owns the intellectual property over the mechanisms of its systems and their manner of operation and therefore the Company invests heavily in the further development of its systems and technology. Among other things, the Company strives on an ongoing basis to adapt its systems to market developments, with each system being manufactured against a specific customer order.
- 16.2 The Company's research and development operation in the area of activity focuses on actions to improve its existing systems and improve its capabilities in managing, controlling and analyzing the information observed by the systems, in order to improve the operation of the customer's solar installation.
- 16.3 As of the Report date, in accordance with the resolution of the Company's Board of Directors as set forth in Section 1.3.1 above, most of the Company's investment in R&D activities is attributed to the development of the H4 Robotic System. Moreover, the Company regularly acts to upgrade and improve the T4 Robotic System, in accordance with the needs of its customers, in order to reach the high level of operation guaranteed to customers as well as optimal efficiency.
- 16.4 In addition, the Company is seeking to develop complementary solutions to its existing products that will increase the efficiency and coverage of the robot and enable the robot to operate in facilities where there is currently no economic viability for its operation (such as dedicated development enabling the Company's systems to operate on solar panels built with intervals in accordance with existing US regulation, as detailed in Section 7.2 above.
- 16.5 The Company's main research and development activities are carried out under the leadership of the VP of Technology, the VP of Development and the Company's development teams.
- 16.6 The entire research and development activities of the Company are mainly financed through investment from self-sources. In general, most of the investments in this field were financed by the Company itself and only in recent years has the Company turned to other channels for financing, which are still not material in their contribution.



- 16.7 The Company's total research and development costs⁸⁵ in 2020 and 2021 amounted to approx. USD 5,783 thousand and USD 8,574 thousand, respectively. In 2022, the Company is expected to invest large sums in research and development compared to previous periods, in accordance with its investment strategy in research and development, which is expected to reach approximately USD 8,700 thousand.
- 16.8 Furthermore, it is noted that in 2021 the Company began capitalizing development costs that it incurred directly as part of the development process of the H4 system. These costs include costs of employees' wage, subcontractors, materials, and technology, and they amount to a total of approx. USD 1,681 thousand for 2021. The Company estimates that in 2022 these costs will amount to a total of approximately USD 4,250 thousand.

The Company's estimates of expected research and development costs are Forward-Looking Information, as defined in the Securities Law, which is uncertain as it is affected by a range of factors some of which are beyond the Company's control, including risk factors in its operations, listed in Section 30 below.

17. Intangible assets

The following is a description of the Company's primary intangible assets:

17.1 Patents

The Company has an array of patents filed by it since its establishment, as well as pending patent applications. The Company seeks to register patents in accordance with a strategy that encompasses the full relevant aspects of the products and services it provides as part of its activities, inter alia in accordance with the following considerations: (a) Creating value for the Company; (b) Attention to the anticipated schedule for approval of every patent application; (c) Protection of the Company's intellectual property; (d) Attention to the Company's vision and possible future directions of development and (e) Blocking of potential competitors.

⁸⁵ It should be noted that the research activities include costs that are not direct research and development costs and are related to the operation of existing products.



Material Inventions, Patents and Patent Applications in respect of Them

	Description of the invention	Rights	No. of patents	Countries in which a patent was granted in respect of an invention	Expected expiry date	No. of applications yet to be approved	Countries where an application has been filed and a patent yet to be granted	Date of submission of application
1.	System and method of solar panel cleaning	Ownership	14	South Africa, Australia, Tunisia and Morocco	June 2033	2	Bahrain and Egypt	December 2014
				China, Qatar, UAE, India, Algeria and Nigeria				
				Chile and Israel				
				Mexico				
				Brazil				
2.	Drop control and return of energy to system for solar panel cleaning system	Ownership	13	Australia, China, Egypt, India, Morocco, Tunisia, Saudi Arabia, Nigeria and South Africa	October 2034	4	UAE, Bahrain, Brazil, Qatar	February 2016
				Chile, Israel and Mexico	October 2034			
				USA	April 2034			
3.	Docking and locking system for solar panel cleaning system	Ownership	12	South Africa, China, Australia, India, Tunisia, Morocco, Saudi Arabia and UAE	April 2035	4	Egypt, Brazil, Qatar and Bahrain	October 2016
				Israel	April 2035			
				Mexico	April 2035			
				USA	April 2034			
				Chile	April 2035			



4.	Predicting maintenance and inferring patterns of solar panel cleaning systems	Ownership	10	Australia, Morocco, Tunisia, South Africa, China and Israel	June 2035	6	UAE, Brazil, Bahrain, Egypt and Qatar	December 2016
				USA	July 2034			
				Chile	June 2035			
				Mexico	June 2035			
				Japan	June 2035			
5.	System and method of solar panels cleaning	Ownership	1	USA	January 2033			
6.	System and method of solar panels cleaning	Ownership	1	USA	June 2033			
7.	System and method of cleaning for solar tracker	Ownership	1	USA	January 2036			
8.	System and automatic solar cleaning methods of solar parks with a dynamic charging connector	Ownership				N/A	USA Provisional application	March 2021
9.	Waterless wireless system and method for solar proximity using an autonomous robot	Ownership	6	USA	December 2037	7	USA, Chile, Spain, Kuwait, Israel, Saudi Arabia and Mexico	July 2019
				USA	September 2037			
				USA	March 2037			
				USA	March 2037			
				South Africa	January 2038			
				Australia				



10.	System and method for cleaning a solar panel without water with the potential to affect / drive Degradation Recovery	Ownership	1	India	April 2038	N/A	PCT – international filing	March 2019
11.	Magnetic parking for robotic cleaner on solar panel	Ownership	1	USA	July 2038	14	Europe	December 2020
12.	Method and system for using an accelerometer as a navigation tool for an autonomous cleaning robot	Ownership				N/A	USA Provisional application	June 2021
13.	An autonomous robot for transporting a robot to solar ongoing cleaning	Ownership				N/A	PCT – international filing	May 2021
14.	A system and method for automatic coating of solar panels	Ownership				N/A	USA – provisional application	March 2021
15.	A system and method for cleaning highly dirty solar spaces by a cleaning robot	Ownership				N/A	USA – provisional application	July 2021
16.	A device and method for restricting traffic of a service vehicle to a solar panel	Ownership				N/A	USA – provisional application	October 2021
17.	A docking station adjusted to rotation for a cleaning robot of a solar panel	Ownership				N/A	USA – provisional application	October 2021



It is emphasized that the ability to obtain approval for the applications described above for the registration of patents, as well as any other applications for patents and / or trademarks, detailed below, is considered Forward-Looking Information, as defined in the Securities Law, which includes assessments and intentions of the Company based on information in the Company's possession as of the date of this Report and its past experience. Forward-looking information is uncertain and may not materialize, in whole or in part, or may materialize in a materially different manner to the Company's assessments, inter alia, due to its dependence on external factors beyond the Company's control, such as the position of external examiners and the Company's risk factors described in Section 30 below, and there is no certainty that the applications for registration will end in the registration of a patent and / or trademark (as the case may be) and / or that there will be no attempts on behalf of third parties to attack registered patents and / or trademarks, which may result in the Company's competitors producing identical products to those of the Company in a manner which will impair the Company's ability to compete in the market in which it operates.



17.2 Trademarks

The Company has registered trademarks as well as pending applications for registration of trademarks, in Israel, India and the USA, used by it in its operations, including the "Ecoppia" and "Ecoppia Empowering Solar" trademarks.

17.3 Protection of the Company's Intellectual Property Rights

The Company invests heavily in the development and protection of its intellectual property, including through undertaking the necessary measures to preserve its patented intellectual property rights. It is noted that throughout its years of activity the Company has experienced attempts of various entities to infringe on its intellectual property rights.

It is noted that in April 2020, the Company issued a letter of warning via its solicitors addressed to Airtouch and its CEO, who previously served as an officer in a different company who has business relations with the Company, in respect of various injustices committed against the Company, including violation of the Company's intellectual property rights, exploitation of trade secrets and other injustices, and demanded, among other things, that they cease such infringements and the use of its intellectual property immediately, as well as take all necessary steps to discontinue the use of the Company's intellectual property and trade secrets. In response to the Company's warning notice, Airtouch and its CEO rejected the Company's claims and as of the Report date, the correspondence between the parties has not led to agreements and the Company reserves its rights to take such action as may be necessary to protect its intellectual property rights. It should be noted that as of the current date, the Company does not consider Airtouch a significant competitive factor in relation to its activities.

17.4 As of the Report date, the Company has invested a total of approximately USD 1,343 thousand in registering patents.

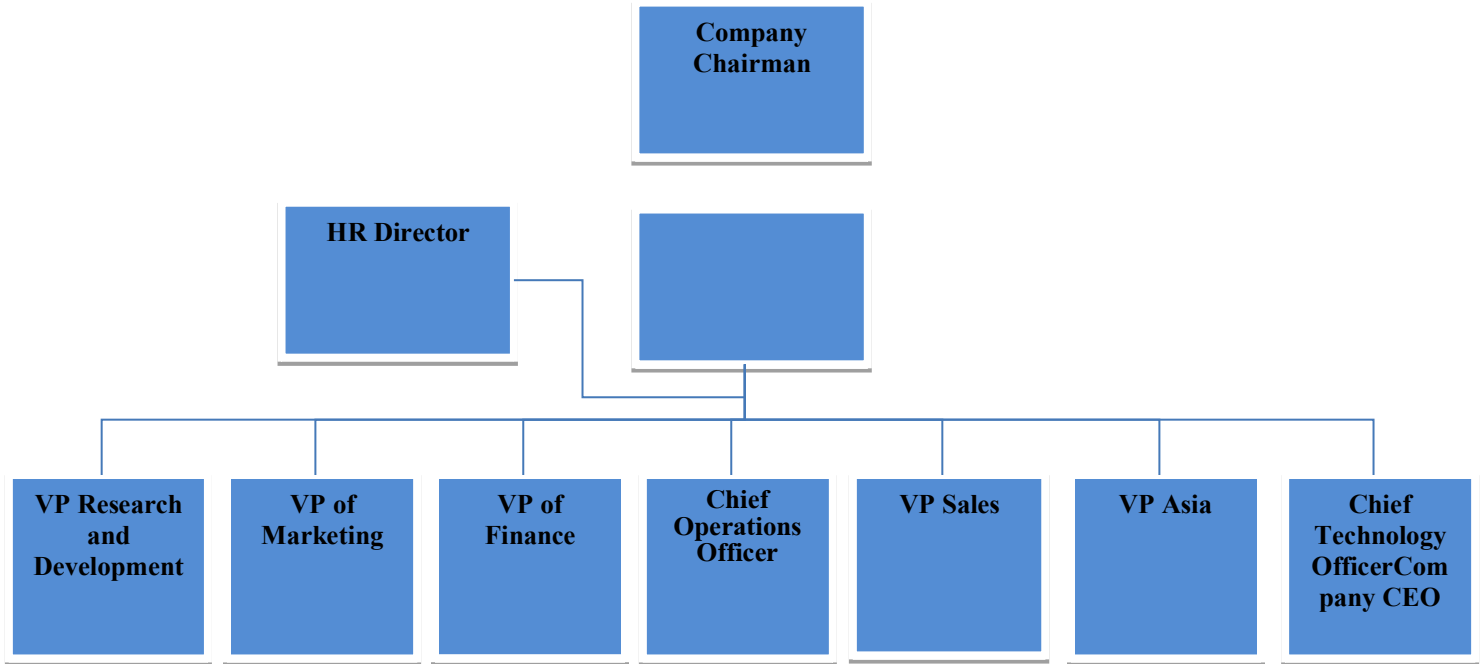
18. Human capital

18.1 The Company's Organizational Structure

As of the Report date, the Company's management consists of a number of managers working in the field of development, marketing, sale and maintenance of the Company's robotic systems, as detailed in the diagram below. In addition to these entities the Company operates various headquarter units, including human resources, operations, support and customer service, through employees directly employed by the Company in Israel and employees employed by Ecoppia India.



The following is a diagram of the organizational structure of the Company's management as of the Report date:



18.2 Company workforce

As of the Report date, the Company employs 172 employees - of whom 79 are employed directly by the Company and 90 employed by Ecoppia India and three additional employees employed as consultants.

The following is the Company and Ecoppia India's workforce chart as of December 31 of each of the years 2020 and 2021:

The Company

Area of responsibility	Number of employees per day	
	December 31, 2021	December 31, 2020
Sales and Marketing	3	2
Operation, Research and Development	65	56
Administration and Finance	4	3



Management	3	3
Total	75	64

Ecoppia India

<u>Area of responsibility</u>	<u>Number of employees per day</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Sales and Marketing	3	1
Operation, Research and Development	74	76
Administration and Finance	3	3
Management	5	5
Total	84	85

It is noted that the workforce employed by Ecoppia India includes, among others, several departments including departments responsible for supplying the robotic systems, robot installations at the customer site, systems maintenance activities and an administration and finance department, with each department having a managerial figure.

18.3 Changes in the Workforce during the Report Period

Following the growth trend of the Company's workforce and the Company's desire to build a stable organization with a capacity for large-scale geographical expansion and strong technological support capabilities for all its activities, personnel changes were made in 2021 as follows: In March 2021 the Company recruited a VP Products, Mr. David Gur, and a Human Resources Manager, Ms. Nurit Sabag. In September 2021 Mr. Oscar Aira terminated his employment as VP Sales with the Company.

18.4 Employment Agreements

In general, the Company enters into personal employment agreements with its employees in Israel on the basis of monthly remuneration, which may be subject to early termination by each of the parties with prior notice (usually by law). The terms of employment of employees in Israel directly employed by the Company usually include, among others, executive insurance or a pension fund, study fund, vacation entitlement, convalescence allowance and other social conditions by law. Moreover, employees of the sales department are generally entitled to bonuses in accordance with the meeting of sales targets.



Company employees employed by Ecoppia India are generally employed under personal employment agreements and in accordance with applicable labor laws in India, on the basis of monthly remuneration, where the employment agreements may be subject to early termination by each of the parties with prior notice. The terms of employment of Ecoppia India employees generally include, inter alia, a condition of confidentiality and non-competition, basic social conditions such as a provident fund and medical reimbursements. With respect to some employees, their employment agreements include entitlement to monthly bonuses, subject to the meeting of targets.

18.5 Dependence on Employees

In the Company's opinion, it has no material dependence on any of its employees and / or employees of Ecoppia India.

18.6 The Company's Investments in Training and Instruction

As part of the Company's training programs, employees undergo training and instruction in the following topics: the Company's code of ethics; Sexual harassment; Information security, as well as various trainings related to the field of activity.

18.7 Employee Compensation Plans

For details regarding the Company's existing employee stock option plan, see Chapter 3 of the Prospectus.

- On September 2, 2021, the Company published a private placement report regarding allotment of 310,000 options (not registered) which may be realized into ordinary shares of the Company, to three office holders in the Company. For further details, see a report dated September 2, 2021 (Ref. No: 2021-01-143661).
- On December 28, 2021, the Company published a private placement report regarding allotment of 345,350 options (not registered) which may be realized into ordinary shares of the Company, to 18 employees and office holders in the Company. For further details, see a report dated December 28, 2021 (Ref. No: 2021-01-185988).
- On February 17, 2022, the Company published a private placement report regarding allotment of 261,750 options (not registered) which may be realized into ordinary shares of the Company, to seven employees and office holders in the Company. For further details, see a report dated February 17, 2022 (Ref. No: 2022-01-019609).

18.8 Further information regarding the Company's officers

For information about senior officers in the Company, see Article 26 and Article 26A in Chapter D below.



For information about remuneration paid to interested parties and senior officers in the Company, see Article 21 of Chapter D below.

19. **Suppliers and Raw Materials**

19.1.1 Agreement with the Manufacturer of the Company's Products

As of the Report date, the Company has entered onto contract with Elcom Innovations Pvt. Ltd. of the Sungroup Group (the "**Manufacturer**") in a framework agreement dated October 21, 2016 (amended on September 26, 2019) for the manufacture, assembly and shipping of the robots ("**Manufacturing Agreement**"). As of the Report date, the manufacturer is the only manufacturer with whom the Company has contracted for the production of its systems.

In accordance with the production agreement, the manufacturer manages the purchase of the components from the subcontractors for the direct assembly of the Company's systems. The identity of the subcontractors is determined by the Company and the manufacturer is not permitted to replace them without obtaining prior approval from the Company. The manufacturer also undertook to deliver the robots ordered in each purchase order within 90 days of the order date (or within another period of time to be agreed by the parties), and in any case within a period not exceeding 120 days. The manufacturer undertook to make changes or adjustments in the production of the robots in accordance with the Company's request. As may be required, following such changes, adjustments to the price and schedules in the agreement will be possible, as agreed between the parties.

The Company pays the manufacturer for the production and supply of the robots, per unit, an amount which includes the cost of the raw materials, labor costs and financing costs, with most of the consideration paid to the manufacturer following delivery of the robots.

In accordance with the production agreement, in case of delays by the manufacturer in the delivery of the robots to the Company, the manufacturer shall be charged an agreed compensation which has been determined and the Company shall be entitled to terminate the agreement, to the extent that the delay extends beyond the period agreed by the parties.

The warranty period for any product supplied to the Company by the manufacturer is 24 months from the date of its delivery ("**Warranty Period**"). In the event of a fault in a product within the Warranty Period, as specified in the production agreement, the manufacturer is responsible for replacing the product at its own expense and delivering a replacement product within 7 days. At the end of the Warranty Period, any warranty provided by the subcontractors to the manufacturer, and which is still in effect, shall be transferred in favor of the Company.

The process of manufacturing the robots by the manufacturer meets strict terms of inspection. The manufacturer and all its suppliers and subcontractors shall hold ISO 9001 quality standards, throughout the term of the agreement. In addition, the Company holds all ownership rights in connection with confidential information provided by the Company to the manufacturer for the



production of the robots, as well as intellectual property rights regarding the robots, the components of the robots and their operation, and all information, processes, materials, designs and technical information in connection with the production of the robots.

The manufacturing agreement stipulates that the manufacturer will indemnify the Company, or anyone on its behalf (including officers, employees, suppliers and other representatives) for any third party suit (including by the Company's customers), for: (1) Bodily injury or damage to property resulting from an act or omission, intentional or negligent, by the manufacturer or by those on its behalf, in connection with the production of the robots; (2) Breach of warranty or any of the manufacturer's obligations in connection with the manufacture of the robots; (3) Actual or alleged infringement by the manufacturer of intellectual property rights related to the execution of production; (4) Violation of provisions related to intellectual property and confidentiality set forth in the agreement.

The production agreement is not limited to a specific period. The Company may terminate the contract in the production agreement at its discretion, at any time by written notice to the manufacturer. Moreover, the Company may revoke the production agreement upon the occurrence of one of the following events: (1) Breach of the manufacturer's obligation under the production agreement which was not corrected within 15 days; (2) Breach of the provisions of the confidentiality agreement between the parties (as stated below) and (3) An insolvency event of the manufacturer. In addition, the production agreement includes provisions regarding a commitment to confidentiality, the breach of this section constituting a material breach of the agreement, as well as undertakings of exclusivity on the part of the manufacturer.

The manufacturer has the right to terminate the production agreement by a 30-day prior written notice, in the event of any of the following: non-payment by the Company of amounts it is liable to under the agreement, and which have not been paid within 60 days of the manufacturer's notice of such non-payment, and an insolvency event of the Company.

As of the Report date, the Company recognizes that there is a potential manufacturing limit of the manufacturer which may limit the Company's production capacity in the event of a future increase in orders. Accordingly, replacing the manufacturer or engaging with another manufacturer may involve changes and adjustments which may cause some delays in production and adjustment expenses; however, the Company estimates that, if necessary, it could, without a significant change in costs and within a period of 3-6 months, replace or expand its existing production capabilities. Accordingly, the Company believes that it is not dependent on the manufacturer. For further details, see Section 14 above.

It is noted that during the Report period the manufacturer experienced cash flow difficulties which forced the Company to assume the financing of the cost of the raw materials. As of September 2019, the manufacturer has obtained the financing required for the implementation of the contract with the Company. As of the Report date the Company is unaware of the existence of financial difficulties on the part of the manufacturer in relation to the continued fulfillment of the contract with it.



19.2 Contract with a Relay and Communication Components Supplier

The Company makes periodic purchases from a supplier in Israel for the acquisition of communication components and products (in this section: the "**Supplier**"), which are essential for the operation of the Company's systems. The extent of the consideration paid to the supplier is immaterial to the Company. However, the Company's systems have been adapted to the supplier's products. Accordingly, the Company equips itself with a contingency stock ensuring availability of the supplier's products for about a year. It is noted that upon delivery of the products to the Company by the supplier, the full useful capabilities of the product come under the Company's control. In the opinion of the Company's management, the development of alternative products to those of the supplier would require development and licensing work which is expected to last several months. In light of the above, the Company believes that it is not dependent on the supplier.

19.3 Contracts with Other Suppliers

The Company has a contract with a programming service provider that assists in the development of the Company's products, both for the robotic systems and for the cloud technology software components. This includes the Company's use of Salesforce platforms to centralize and present information regarding the operation of the Company's systems, tailored to the Company's needs as part of the services it provides to its customers. It is noted that as of the Report date, the Company is taking steps to transfer the knowledge and capabilities in-house by recruiting and training employees.

19.4 Inventory

The Company usually holds a contingency stock during the normal course of business in order to enable continuous delivery and meeting of the order volume from customers. In addition, the Company holds a stock of spare parts needed for maintenance of existing systems at the customer's sites.

Following the global crisis of goods, the Company management regularly estimates the shortage in raw materials for the purpose of ongoing production of the robotic systems, so as not to damage the Company's ability to meet the orders from its customers. During Q3 2021 the Company began purchasing excess inventories of components whose availability is low and supply times have significantly increased, in order to try and reduce delays or postponements in the supply dates of the robotic systems to its customers. In addition, with regard to raw materials and goods whose availability on the market is very low or non-existent, the Company makes its best efforts to find alternative solutions by using other components which are available to the Company.



20. Financing

20.1 General

The Company finances its activities through its own equity and financing rounds. As of the Report date the Company has no material credit agreements.

20.2 Guarantees

20.2.1 As stated in Section 10.2 above, as part of its engagement with its customers in agreements for the sale of the Company's systems, the Company is required to provide bank guarantees to ensure the performance of its obligations under the sale agreement. As of the Report date, the total guarantees given to customers as of December 31, 2021, is about USD 866 thousand. It is noted that some of the said guarantees to the Company's customers in India are provided by Ecoppia India. As of the Report date, no guarantees have been forfeited by any of the Company's customers.

20.2.2 The Company provided guarantees within the lease agreements of the offices in Israel, as specified in Section 15 above. The aforesaid guarantees are for amounts that are immaterial to the Company.

20.2.3 The Company has deposited guarantees in favor of the customs authorities as part of legal proceedings described in Section 25 below.

20.3 Estimates on Raising Other Sources of Funding in the Coming Year

As of the Report date, the Company is examining, among other things, additional options for the expansion of its existing operations, among others, with proceeds from the IPO that was performed under the Prospectus (as described in Section 26 below). Further to the above, the Company does not anticipate the need to raise additional funding over the coming year.

The Company's estimates regarding the need to raise additional funding over the coming year constitutes forward-looking information, as defined in the Securities Law. The Company's aforementioned assessment is based on information available to the Company as of the Report date, but there is no certainty of its materialization, this inter alia, as a result of changes in the market that may affect the Company's operations and other risk factors described in Section 30 below.

21. Taxation

For details regarding the tax laws applicable to the Company, see Note 10 to the financial statements.

22. Restrictions and Supervision of the Company's Activity

As of the Report date and to the best of the Company's knowledge, no restrictions apply by virtue of the law and that are unique to its operation in the countries in which it operates, with the exception of approvals in each country in which it operates related to regulatory certificates for the communication components of its systems as well as to regulation on accepted environmental issues at sites where the company is installing its systems. However, operations in potential target countries may involve



compliance with applicable supervision and regulatory provisions in those countries. For further details, see Section 7.2 above.

23. **Material Agreements**

The agreements noted in Sections 10.3 and 19 of this Report constitute material agreements of the Company.

24. **Insurance**

The Company periodically arranges insurance to cover its property and liability, as a derivative of the nature and scope of its operations. This includes property insurance, consequential loss, employer liability, third party liability, product liability and professional liability. In the opinion of the Company's management, the coverage terms in the insurance policies arranged by the Company correspond to what is conventional in companies of its size and type.

25. **Legal Proceedings**

The following are details regarding pending legal proceedings to which the Company is a party:

25.1 On June 13, 2018, the Company filed a lawsuit against the Israel Tax Authority - the Customs and VAT Association (in this section "**Tax Authority**") for a tax rebate amounting to 232,246 NIS and for declaratory relief regarding the classification of robotic systems imported into Israel by the Company for the purpose of tax payment in accordance with a particular detail in the Customs Tariff Order entitled "Industrial Robots", SL"P, or alternatively in accordance with a particular detail in the Customs Tariff Order entitled "Machinery and equipment of the type used for industrial manufacture", contrary to the Tax Authority's position as transmitted to the Company. As part of the filing of the lawsuit as aforesaid, and in order to avoid delays in the delivery of the Company's systems, the Company has deposited bank guarantees for amounts that are immaterial to the Company. During a pre-trial hearing held on June 24, 2019, the Tax Authority announced that it did not intend to turn to mediation despite the court's recommendation. A date for another pre-trial hearing is set for June 7, 2021. Despite the early stage of the proceeding, according to the Company's legal counsels, the chances of the lawsuit being accepted are higher than 50%.

It is noted that the adoption of the tax authority's position regarding the classification of the robotic systems imported into Israel by the Company is expected to increase the cost of customs duties incurred by the Company for the import of its products to Israel by 8%, but this is not expected to have a material effect on the Company.

25.2 On September 30, 2021, a statement of claim was filed on behalf of the Manufacturers Association of Israel's Employers Association ("**the Manufacturers Association**") requesting to receive a declarative relief under which the Company is obligated to pay trade union duties to the Manufacturers Association by virtue of the Collective Agreement (Payment of Trade Union Duties to an Employers Association) Regulations, 5737-1977 ("**Trade Union Duties**



Regulations"). At the same time the Manufacturers Association requested to be provided with numerical data regarding the Company and its employees.

On December 15, 2021, the Company filed a statement of defense in which the Company argues that it is a research and development company and not a productive-industrial company and that it does not hire any production employees. The Company's argument, therefore, is that the claim of the Manufacturers Association that the Company is subject to the expansion order in the industry sector and that the Company must pay Trade Union Duties by virtue of the Trade Union Duties Regulations is erroneous.

On February 1, 2022, a pre-trial hearing was held following which dates were scheduled for filing affidavits on behalf of the parties, according to which the Company should file its affidavits by March 4, 2022. At the evaluation of the Company's legal counsels, at this stage of the proceeding, it is too early to assess the chances of the lawsuit, but the Company estimates that should such lawsuit be accepted, this will have no material impact on the Company.

26. **Targets and Business Strategy**

The Company updates its business strategy from time to time in accordance with developments in the markets in which it operates and including business opportunities identified by the Company based on its experience and relationships, in light of various developments, such as economic, technological, regulatory and other developments which may influence demand for the Company's products, such as technological developments that offer added value to its customers, entry into new markets in which the Company is not yet active as well as threats following the entry of significant competitors into markets in which the Company is active or the launch of competing technologies that may adversely affect demand for the Company products.

As of the Report date, the Company is pursuing a customer-focused strategy and intends to continue to expand the range of products and services that may serve the customer segment which it is targeting, inter alia, through the actions listed below:

- a. **Geographical expansion** – The Company intends to expand its operations in the geographical areas in which it operates as well as into new geographical areas. In order to promote this strategy, the Company initiated sales activity implemented by sales managers who are expected to promote sales of the Company's products in various regions, including the Middle East, Central and South America, Australia, and Southern Europe. Furthermore, the Company has identified great potential in geographic expansion and penetration into the US solar facilities market. Despite of certain limitations in the structure of sites there, which are mainly related to the limited length of lines of solar panels. In the context of its efforts to penetrate this market, the Company performed a first installation of its robotic systems at a California project. The Company intends to conduct marketing activities and a demonstration of its capabilities following the completion of the trial period in the said project, as well as to recruit sales managers to promote the Company's products



in the US and carry out further installations in the future. It is noted that the Company's engagements shall be subject to the regulations currently in place in the US market, and to the restrictions set forth in Section 7.2 above.

- b. Technological developments – Promotion and development of innovative technologies related to the use of the Company's existing products and new products under development as well as development of a technology for information processing with the purpose of creating full automation at solar sites and providing customers with additional services on top of existing systems. The Company's systems collect data about the operation of its systems and the Company intends to seek to develop a software infrastructure for collecting and analyzing data from various sources, enabling integration of preventive maintenance advice for the benefit of its customers. The Company is constantly working to further develop its products in order to improve their quality and improve their capabilities and suitability to a wider range of photovoltaic facilities, and in order to improve the value the Company offers its customers. In this context, the Company does not negate an option to purchase technologies from third parties.
- c. Diversification of methods of engaging with the Company's customers – through contract propositions that have the potential to facilitate customers' cash flow, such as operational financing offers.
- d. Increasing the number of customers – Promoting contracts with a variety of customers who fall into the Company's target audience, to whom the Company has not yet begun selling its products and services.
- e. Acquisition and initiation of projects / strategic collaborations / investments in other areas – The Company intends to create collaborations with various companies, including acquisition of companies and / or mergers, in order to expand the range of services and products it offers to its customers.
- f. Production array – To the extent that the Company manages to increase its sales, and in particular in other geographical areas, the Company may consider the possibility of expanding its production capabilities through additional manufacturers outsourced in other countries.
- g. Personnel system – The Company intends to continue expanding its workforce and act to recruit quality employees in all the relevant departments for the purpose of developing the products offered to its customers as well as to provide the administrative support required for its operations. *Inter alia*, the Company intends to initiate efforts to construct a R&D support array in India.
- h. Financing and capital raising programs – The success of the IPO under the Prospectus contributed to the Company's competitive position in the eyes of its customers as a reliable and stable supplier that can be relied upon for an extended period of operation. The Company intends to use the



offering funds to implement the strategy it outlines, and in particular to provide operational financing offers to its customers and realize opportunities for acquisition and technologies that integrate with its business strategy.

27. **Forecast for Development in the Coming Year**

Over the next 12 months the Company intends to continue operating with the aim of promoting its products and services to its customers, based on the operational strategy specified in Section 26 above. For this purpose, the Company intends, among other things, to take action to execute and complete the engagements and projects listed below:

- a. Completion of the development of the H4 system and transition to mass production in 2022;
- b. Building a R&D support center in India;
- c. Implementation of the Company's sales plan in order to establish its position as a leading player in the field;
- d. Establishment of a global sales force for the sale of its products and services;
- e. Continued improvement of the quality of the Company's products in order to improve the value proposition to its customers;
- f. Recruiting excellent employees who will enable the expansion of its activities, deepening its presence in the markets in which it operates, developing its products, and supporting the range of its operations;
- g. Considering collaborations of various kinds with companies that offer capabilities that integrate with the Company's operational course and in accordance with the strategy it has outlined.

The information described in Sections 26 and 27 above in relation to the Company's business plan and its strategy and in relation to the expectation of a development in business over the coming year, including the expansion of its activities, constitutes Forward-Looking Information as defined in the Securities Law, the realization of which is uncertain and which may change, inter alia, due to factors that are beyond the Company's control, including the risk factors listed in Section 30 below.

28. **Financial information regarding geographical areas**

For details, see Note 14B to the financial statements.

29. **Subsidiaries**

The following is data related to subsidiaries (for details on the main operations of the subsidiaries, see Section 1.4 above):



	For the period ending on			
	December 31, 2021		December 31, 2020	
	Ecoppia India	Evermore United	Ecoppia India	Evermore United
	USD thousand			
Pretax profit (loss)	274	-	(2,252)	-
Profit (loss) after tax	243	-	(2,267)	-

30. **Discussion of Risk Factors**

The following describes the main risk factors inherent in the Company's operations, in accordance with the assessment of the Company's management:

30.1 **Macroeconomic Risks**

(A) **Economic Slowdown and Uncertainty in the Global Market**

The global economic situation as well as the economic situation in countries in which the Company has substantial operations have a direct effect on the scope of the Company's operations and accordingly on the Company's business and its business results. An economic slowdown and a global recession or a local recession in the countries in which the Company operates as well as in the markets it seeks to penetrate in the future, may damage the Company's operating scope and profitability, inter alia, due to the risk to funding bodies providing financing for the construction of photovoltaic energy projects, the postponement or halting of new tenders that could damage the Company's customer or its potential customers, and more.

(B) **Effects of the Spread of the Epidemic**

The Company is exposed to impacts and risks associated with the outbreak of the corona virus, such as local and international traffic restrictions and lock downs that may affect the Company's business operations, inter alia as a result of a disruption to its ability to acquire raw materials, disruption of manpower, restriction on its capability to manufacture the Company's systems, sell and move its robotic systems regularly and install them at the customer's site, train employees to operate the systems, a temporary closure of the Company's facilities and / or facilities of its suppliers or customers and disruption of the possibility of realizing transactions or business plans and entering into new transactions, particularly in light of the possibility of postponement of schedules for the construction of facilities by its customers. Each of the aforesaid circumstances may affect the Company's



operations, business, financial condition and results in an adverse material manner. For further details, see Section 6 above.

(C) Operations in Developing Countries

As of the Report date, the Company operates mainly in developing countries which are exposed to crises and some of which are characterized by a government or regime that is often unstable, politically and economically. These countries are exposed to political crises which may reduce and even halt the Company's operations therein and / or delay or prevent the Company from receiving payment from customers operating in these areas. In addition, global crises may also adversely affect the Company's ability to operate in the countries in which it operates and in countries in which it intends to operate in the future, and as a result the Company may incur damage to its revenue and profitability.

(D) Exposure to Changes in Exchange Rates

The Company's operating currency is the USD. Some of the payments to the Company's suppliers and the revenue from its customers are made in foreign currency (mainly in rupee or shekel currencies). Concurrently, most of the Company's revenues are linked to the USD, thus significant fluctuations in exchange rates may have a limited effect on the Company's business results in the field of activity.

30.2 Industry Risks

(A) Slowdown in Growth of the Global Photovoltaic Systems Industry

The Company's operation depends to a large extent on the development of the electricity generation industry through photovoltaic systems around the world, as well as on regulation in the countries in which the Company operates and their degree of support for the transition to renewable energy as well as on the rate of adoption of this technology by government entities throughout the world. In light of the global trend encouraging the use of renewable energy and the growing public awareness of the danger to the environment underlying the continued widespread use of conventional and polluting energy, the Company estimates that the industry will continue to expand and evolve. However, non-realization of estimates and forecasts regarding the expected growth in the photovoltaic installations industry may have an impact on the Company's business results and profitability.



(B) Insurance

The Company purchased insurance policies for the purpose of the insurance coverage required in its operations (as specified in Section 24 above). However, not all possible risks are covered or can be fully covered by the various policies arranged and therefore the insurance receipts, to the extent received, may not necessarily cover the full extent of damages and / or all possible losses (both for damages to third parties including the Company's customers as well as with regards to the quality of the product and / or adapting the product to its operational purpose). Furthermore, there are certain insurances that the Company may decide not to procure for various reasons such as lack of economic viability. It is noted that the decision on the type and scope of insurance is made taking into account, among other things, the cost of insurance, the nature and scope of the proposed coverage, the relevant legal requirements, and the ability to obtain appropriate coverage in the insurance market.

The Company may be exposed to liability suits in respect of its products and other suits that may affect its business, its reputation and its ability to engage with customers and retain existing customers. As a result, failure to obtain adequate insurance coverage may impair the Company's operations, its growth rate and its ability to penetrate relevant markets.

(C) Weather and Climatic Conditions

Given the typical environmental conditions in which the Company's systems are installed, there is a risk that extreme climatic events may occur, such as storms, floods, etc. which may cause significant damage to the facilities and may activate "force majeure" clauses included in most agreements with its customers and which allow termination of contract in such circumstances. Moreover, climatic conditions of increased humidity and strong winds, which exist in a certain number of areas where the Company's systems are installed, may impair the efficiency of the Company's robotic systems and adversely affect the Company's operations.

(D) Technological Changes

The Company is exposed to the risks involved in the development of new products and / or technologies whose successful development and / or marketing may damage the Company's operations, as specified in Section 7.5 above.



(E) Competition

As of the Report date, the Company has a competitive advantage in the field of dry robotic cleaning of utility-scale solar facilities, however the world of renewable energy is evolving and attracting many initiatives and therefore competition in the field of activity may increase in the future. It is noted that the Company has planned and designed its products in a way that guarantees the preservation of, and damage prevention, to the solar panels of its customers, thereby providing a solution to the risk aversion trend characterizing its existing and prospective customers. Insofar that this trend of risk aversion on the part of its customers is replaced with price sensitivity, despite of risk, it may be that some of the Company's current products will lose their attractiveness for the customers. Accordingly, widespread competition in the industry may adversely affect the Company's business, the prices of the products and services it provides, its revenues and cash flow. For further details, see Section 13 above.

(F) Protection of Intellectual Property

As of the Report date, the Company has a number of patents registered in its name, as well as applications for approval of additional patents in various countries related to the mechanisms of the Company's systems and the nature of their operation (as specified in Section 17 above). The creation of an alternative technology or performing "reverse engineering" on the technology offered by the Company, may harm the scope of the Company's operations.

For details regarding a notice of caution sent by the Company to Airtouch and to its CEO in connection with the protection of the Company's intellectual property rights, see section 17.3 above.

(G) Cyber and information security

Cyber and information security risks that threaten computing and internal corporate communications infrastructure have intensified in recent years, affecting the operations of companies characterized by online information. The Company's field of activity, being based on the use of Internet and computer technologies, is supported, among other things, by computerized information systems. These systems are exposed to various cyber risks, including cyber-attacks that may damage the information contained in these systems and disable the Company's systems, thus hampering its ongoing operations, including by harming the Company's servers responsible for operating the Company's robotic systems and their maintenance activity, as well as the Company's R&D activities.



The Company is preparing itself by various means against these risks, including against cyber-attacks, which as of the Report date, include the following measures: use of antivirus applications in the Company's workstations and servers, use of firewall applications, backup of time systems, establishing physical means of protection to secure data (such as restricting access to authorized personnel only), use of password systems for information systems, the signing of employees and suppliers of confidentiality agreements, and more. Furthermore, in order to deal with a cyber-attack that may cause a disruption to the Company's systems, the Company has an array for rapid recovery, inter alia, by localized operation of the installed robotic systems, and therefore in such an event, the disruption to its systems is not expected to last more than several days.

It is noted that the information relating to the operation of the Company's robotic systems and the unique technological knowledge are stored in Amazon's cloud servers. To the best of the Company's knowledge, Amazon uses acceptable safeguards to protect the servers under its responsibility and to prevent cyber-attacks. Apart from the above, all the Company's developments are backed up by alternative servers (other than Amazon) and the information therein is also protected by the means listed above.

It should be clarified that the Company has adopted the aforementioned measures to minimize exposure to various cyber risks, however despite the Company's attempts to reduce such exposure, cyber-attacks are not predictable, and it is not certain that the Company's measures to prevent possible damages from cyber-attacks will help it in the event of such an attack. The damage to the Company arising from a cyber-attack may adversely affect the Company's goodwill, operations and results.

(H) Regulation in countries where the Company intends to operate in the future

As of the Report date and to the best of the Company's knowledge, there are no lawful material and monitoring restrictions in the countries in which the Company operates that are unique to its operations. However, the marketing of the Company's products as well as its operation in the field of dry robotic solutions for cleaning utility-scale solar panels in potential target countries may in the future be subject to monitoring and regulation in various countries. Changes and developments in the regulatory requirements, or non-compliance of the Company with such requirements may result in restrictions on the operation or sale of the systems in those countries, thereby causing the Company loss of profits and significant expenses. For further details regarding restrictions and monitoring of the Company's operations, see Section 7.2 above.



(I) Decrease in Solar Electricity Rates

Following the downward trend in recent years of the price of electricity generation through PV installations, rates for solar energy production have also dropped significantly. This trend may have implications on the willingness of electricity producers to pay for technological developments and upgrades, such as the Company's products, in a manner that may reduce the demand for the Company's products. On the other hand, the erosion of profits forces solar power producers to turn to solutions such as those offered by the Company in order to enable the optimal efficiency of such installations. For further details, see Section 6.16 above.

(J) Exposure to the need to repair defects in the robotic systems

The characteristics of the Company's operation in the sale and installation of complex communication systems and their implementation in customer sites involve a lengthy process that sometimes requires the repair of defects appearing in the supplied systems, proper preparation and the performance of adjustments, as well as malfunctions or rapid wear of the Company systems. Large scope defects in the systems provided to customers may adversely affect the Company's results.

(K) Dependence on skilled and professional personnel

As a Company of which majority of operations, as of the Report date, include the provision of service to its customers, the Company in general depends on skilled personnel and the interpersonal relationships between such personnel and the Company's customers. However, in the Company's opinion, this is not a material dependency or a deviation which may have a material adverse effect on its operations, and that, if necessary, it does not foresee difficulties in the recruitment and replacement of such employees within a short period of time.

(L) Global shortage of raw materials

_____ Following the global crisis of goods, there has been a shortage of raw materials and electronic components of the type required for the manufacture and assembly of the Company's robotic systems (including metals, aluminum, chips, solar panels, and other products). The global shortage causes a significant price increase of raw material and transportation costs, which affects the production cost of the robotic systems manufactured by the Company and damages the gross profit rates of products. The continued increase of prices of raw materials and transportation and shipment costs of such materials may reduce the Company's gross profitability and may have a material impact on its financial results, and in cases of severe shortage of



raw materials, even cause a delay in the supply times of the Company's products to its customers.

30.3 Risks Unique to the Company

(A) Exposure to Possible Damage to Customers

The cleaning operation of the utility-scale solar panels may cause physical damage to the panels (such as scratches, fractures, etc.). The Company's sales agreements with its customers usually include an indemnity clause, whereby the Company undertakes to indemnify the customer up to a certain amount in the event of property damage or loss arising from the use of the Company's robotic systems. In addition, most maintenance agreements include an indemnity clause for damages caused to the customer's property due to the Company's negligence in providing the services, as well as the customer's right in certain cases to terminate the contract. Such damage which may be caused to the solar panels by the Company's systems may have an impact on the Company's reputation and business results.

As a general rule, the Company's sales agreements with its customers also include the Company's obligation to indemnify the customer upon the occurrence of certain incidents (such as causing bodily harm, non-compliance with certain legal provisions and infringing third party intellectual property rights), as set forth in the agreement.

The Company has purchased insurance policies for coverage of its operations (as specified in Section 24 above), including coverage in the event of property damage that may be caused to the customer's facilities and for other damages. Moreover, the Company is exposed to events that are not covered by the Company's insurance, and alternatively to events where the insurance liability exceeds the scope of the policy purchased by the Company, as the case may be.

For further details regarding the Company's sales agreements with its customers, see Section 10.2 above.

(B) Exposure to Delays in Installation Dates

The delivery and installation dates of the Company's products in accordance with the sales and installation agreements of the robotic systems, and the consideration received from the customer as a result, depend on customers meeting their schedules for completing the photovoltaic installations on which the robots operate and the adjustment of the installation infrastructure to the installation of the robots. Since the installation of robots is the final step in the construction process of the facility, in case of delays in completing the construction of the facility or adjusting the infrastructure, the delivery date and installation of the systems in the customer facility may be delayed and as a result



there may be a delay in recognizing revenue and receiving consideration for such project. There may also be delays in the supply and installation of the Company's systems resulting from delays in the production process and / or delays resulting from the effects of the corona crisis (as detailed above), which may affect the Company's business results, reputation and constitute breaches of contract with its customers.

(C) Possible Increase in Installation and Maintenance Costs of the Robotic Systems Over Time

As part of its operation, the Company seeks to improve and streamline the products and services it provides. Accordingly, an increase in the costs of the various components that make up the Company's systems, as well as in the communication and manpower costs of the services it provides, which exceed the Company's ability to improve over time, may affect the Company's business results.

(D) Dependence on the Indian Market

Most of the Company's revenue in recent years is mainly due to the installation of its systems and the provision of operating and maintenance services to the facilities located in India. Changes in the energy market in India and in the players operating therein may affect the demand for the Company's products and accordingly the Company's results.

(E) Legal Proceedings

As of the Report date, the Company is conducting a financial suit which includes a petition for declaratory remedies against the Israel Tax Authority - the Customs and VAT Association, regarding the classification of robotic systems imported into Israel by the Company for the purpose of tax payment. To the extent that the court decides to reject the relief sought by the Company as part of the proceeding, the Company will be liable for higher customs payments in the future in respect of imports into Israel, which may impair its profitability. For further details regarding the legal proceedings in this matter, see Section 21 above.

(F) Entering into Framework Agreements

As of the Report date, the Company has existing engagements with some of its customers in the form of framework agreements and memoranda of understanding for the installation of the Company's systems and the provision of operating and maintenance services at future photovoltaic facilities of the customer, subject to compliance with certain provisions. Failure to realize the engagements under these agreements may damage the Company's business results. For details regarding the framework agreements and memoranda of understanding as aforesaid, see Section 10.3 above.



(G) Contracting with a Single Manufacturer

The Company has contracted with a single manufacturer in India for the purpose of assembling the robotic systems for the Company. A decline in the scope of the manufacturer's operation or in its production capacity, including as a result of financial difficulties that it may encounter, may have an effect on the Company's activities, including damage to its reputation in the event of delays in delivering the systems to customers. For details see Sections 14 and 19 above.

(H) Certifications of the Company's Systems

Solar panel manufacturers provide their customers with a warranty on the solar panels for the life of the installation (20-30 years) and accordingly, the cleaning of the panels requires the manufacturers' certification that the original warranty shall not be voided as a result. The Company's robotic systems have received over a dozen approvals from various panel manufacturers around the world, confirming that the systems are safe to use on the panels without the risk of damage. The absence of such certification from solar panel manufacturers in other areas where the Company wishes to operate in the future, or changes in existing manufacturers' certifications, may have an impact on the Company's operations. For further details, see Section 7.2 above.

(I) Integration of the T4 System

As of the Report date, the software versions of the Company's T4 Robotic Systems are preliminary in terms of usage, and the product may require several software versions upgrades, hardware upgrades as well as an upgrade of some of the T4 product systems over the coming quarters, to achieve optimal efficiency. In addition, being a product in the initial implementation stages, in order to operate T4 systems designed for SAT installations, its compatibility with the leading SAT manufacturers is required. Such processes may have an impact on the rate of wider product implementation among the Company's customers. Moreover, the Company may incur costs associated with adjustments that may be required in this system in the future in a manner that may impair its revenue and reputation. For more details regarding the T4 Robotic System, see Section 8 above.

(J) Exposure to Termination of Maintenance Agreements During the Service Period

The Company's engagements with its customers include cancellation clauses in the event of certain circumstances, and some also include cancellation clauses "for reasons of convenience" or cancellation in circumstances where the Company has not breached the agreement. Exercise of the aforesaid right of cancellation may damage the Company's



reputation as well as cause limited damage to the Company's revenues and profitability. For more details, see Section 10 above.

(K) Penetration into Markets in Additional Countries

As part of the Company's strategy it intends to evolve and penetrate additional markets in potential target countries. Penetration into a new market requires experience, proven technology, compliance with the acceptable quality standards in that country, use of certain communication protocols, cyber restrictions to the extent that these exist, etc., which can affect the rate of penetration of Company products into the market and thus adversely affect the Company's growth and business results.

(L) Operation in Countries that Have No Official Ties with Israel

As of the Report date, the Company is in talks for the purpose of formulating agreements in countries that do not have official ties to the State of Israel. The lack of such official ties may affect the continued engagement with the Company's customers and the Company's ability to prevent unauthorized use of its intellectual property in those countries, as well as the Company's ability to expand and penetrate such markets, which may be suitable in terms of the Company's operations, inter alia, in relation to the climatic conditions prevailing therein.

30.4 Table of Risk Factors

The table below presents the risk factors described above according to their nature - macroeconomic risks, industry risks and special risks to the Company, which were rated in accordance with the opinion of the Company's management, according to their possible impact on the Company's business:

		High Effect	Medium Effect	Low Effect
Macro Risks:	Economic slowdown and uncertainty in the global market		X	
	Effects of the spread of the corona virus		X	
	Operations in developing countries			X
	Exposure to changes in exchange rates			X
Industry Risks	A slowdown in the growth of the global photovoltaic system industry		X	
	Insurance		X	
	Weather and climatic conditions			X
	Technological changes		X	



		High Effect	Medium Effect	Low Effect
	Competition	X		
	Protection of Intellectual Property			X
	Cyber and information security		X	
	Regulation			X
	Decrease in solar electricity tariffs		X	
	Exposure to the need to repair defects in the robotic systems			X
	Dependence on skilled and professional personnel			X
	Global shortage of raw materials		X	
Risks unique to the Company	Exposure to possible damage to the customer		X	
	Exposure to delays in installation dates		X	
	Increase in installation and maintenance costs of the robotic systems over time		X	
	Dependence on the Indian market	X		
	Legal Proceedings			X
	Entering into framework agreements		X	
	Contracting with a single manufacturer			X
	Certifications for the Company's systems			X
	Integration of the T4 system		X	
	Exposure to cancellation of maintenance agreements during the service period			X
	Penetration into markets in additional countries		X	
	Operation in countries that have no official ties with Israel			X

Chapter B

Board of Directors' Report on the State of the Company's Affairs





Board of Directors' Report on the State of the Company's Affairs

The board of directors of Ecoppia Scientific Ltd. ("**the Company**") hereby submits the board of directors' report on the state of the Company's affairs for the year ended on December 31, 2021 ("**the Report Period**"). The report is prepared in accordance with the Securities Regulations (Periodic and Immediate Statements), 5730-1970 ("**the Regulations**").

The following explanations are in accordance with the consolidated financial statements of the Company as of December 31, 2021 ("**the Financial Statements**").

1. Part A - Board of Directors' explanations to the State of the Company's Affairs

1.1 Introduction

The Company was incorporated in Israel on January 7, 2013 as a private limited liability company, pursuant to the provisions of the Companies Law, 5757-1999 ("**the Companies Law**"), and it deals with the development, sale, operation and maintenance of cloud technology based robotic systems for cleaning solar panels.

On September 24, 2020 the Company made an IPO of 22,410,000 ordinary shares of NIS 0.0001 par value each ("**Ordinary Shares**") and 7,470,000 Series 1 warrants exercisable up to 7,470,000 Ordinary Shares offered to the public by virtue of a supplementary prospectus and shelf prospectus dated November 23, 2020 ("**the Prospectus**"). The securities of the Company were listed for trade on Tel Aviv Stock Exchange ("**TASE**"). Following completion of the listing of the securities on TASE under this Prospectus, the Company became a public company, within the definition of this term in the Companies Law.

1.2 Concise description of the Company and its business environment and line of business

The Company engages, directly and indirectly, with the development, sale and maintenance of technological solutions through robotic systems for cleaning solar panels in photo-voltaic facilities. As of the report date, the Company has operated in several counters and its main activity has been in India and Israel. The Company provides to its customers, which are mainly international corporations holding and operating photo-voltaic facilities, with three types of cloud technology based robotic systems with remote activation and control.

The robotic systems provide developers and operators of photo-voltaic facilities with a technological solution to improve the efficiency of the facility's production of energy through robots that clean the solar panels autonomously and uniformly on a daily basis and gently and safely comparing to manual cleaning alternatives. This enables saving in resources and retaining energy output of solar panels.

For further details regarding the Company's activity, see Chapter A of the periodic report.



1.3 Significant events during the Report Period

For details regarding significant events during and after the Report Period, see Section 1.3 of Chapter A of this report.

1.4 Financial condition

The following are clauses of the report of the financial condition according to the Financial Statements and explanations to the main changes that occurred to them (USD thousand):

Clause	December 31, 2021	December 31, 2020	Board of directors' explanations
Current assets	95,886	109,362	The decrease is mainly derived from the negative flows from ongoing operations
Non-current assets	4,033	2,110	The increase is mainly attributed to capitalizing development costs to an intangible asset (the H4 System)
Total assets	99,919	111,472	
Current liabilities	3,605	4,222	The decrease is mainly attributed to phantom options allocated to a lender and paid in January 2021
Non-current liabilities	708	469	The increase derives primarily from new leases of vehicles
Total equity	95,606	106,781	The decrease derives mainly from a net loss in 2021
Total liabilities and equity	99,919	111,472	

1.5 Results of activity

Following is an analysis of the results of activity according to the Financial Statements (USD thousand):

Clause	For a 12-month period ended on December 31		Board of directors' explanations
	2021	2020	
Income	5,905	3,032	The increase is mainly attributed to a ramp-up in the sale of robotic units in 2021 and revenues deriving from a project transfer agreement of the Company's client.
Cost of income	4,215	2,246	The increase is mainly attributed to a ramp-up in the sale of robotic units in 2021
Research and development expenses, net	8,574	5,783	The increase, compared with the corresponding previous period, derives from an increase in salary expenses of \$2,000 thousand due to the growth of the R&D department and an increase in share-based expenses of \$254 thousand.
Administration and general expenses	4,702	3,422	The increase, compared with the corresponding previous period, derives from an increase in salary



			expenses of \$374 thousand and an increase in consultants and intellectual property expenses of \$727 thousand
Sale and marketing expenses	1,962	702	The increase, compared with the corresponding previous period, derives from consultants' expenses of \$628 thousand, an increase in salary expenses of \$240 thousand and an increase in share-based expenses of \$386 thousand.
Operating loss	13,548	9,121	
Finance expenses (income), net	(402)	9,749	The financing income derives primarily from exchange rate gains and interest on deposits, while, in the corresponding previous period, financing expenses were generated from revaluing options to investors (non-cash) and to a lender as well as interest expenses, transaction commissions and options for acquiring shares, which were allocated for the loan that the company took in 2020.
Taxes on income	34	18	
Loss for year	13,180	18,888	



1.6 Liquidity

The following is an analysis of the cash flows of the Company according to the Financial Statements (USD thousand):

Clause	For a 12-month period ended on December 31		Board of directors' explanations
	2021	2020	
Cash flow from current activity	(8,712)	(10,051)	The increase is mainly attributed to a ramp-up in the sale of robotic units in 2021 and revenues deriving from a project transfer agreement of the Company's client., which resulted in increased gross profitability of \$904 thousand, compared with the corresponding previous year.
Cash flow from investment activity	(2,679)	(674)	The change derives primarily from acquiring a fixed asset and capitalizing development costs.
Cash flow from finance activity	(1,533)	105,022	The decrease is mainly attributed to the net consideration of the \$83,052 thousand share and options issuance in November 2020 as well as from \$19,879 thousand. Preferred Shares A5 issue in July 2020.

1.7 Funding sources

The Company funds its activity mainly by raising capital (as specified in Chapter 3 of the Prospectus). For further details regarding the funding sources of the Company, see Section 20.2 of Chapter A above.

The consideration received in the IPO under the Prospectus will be used by the Company to implement its business strategy and fund its business activity.

1.8 Working capital

The working capital of the Company consists of current assets that include cash balances and cash equivalents, receivables balance and trade receivables, and inventory, less ongoing liabilities that include payables balance and other accounts payable. The following are data regarding the working capital of the Company (surplus of current assets over current liabilities), as of December 31, 2021, in USD thousand:

	As of December 31, 2021
Current assets	95,886
Current liabilities	3,605
Surplus of current assets over current liabilities	92,281



The credit period for the majority of the Company's customers ranges from 30 to 60 days, according to scopes of activity with the customer and the Company's estimate of the customer's financial stability. The average credit period provided by the Company to its customers was 45 days in 2021. The average receivables balance was USD 2,193 thousand in 2021.

The credit period for the major suppliers of the Company ranges from 30 to 90 days. The average credit period of the Company's main suppliers was 63 days in 2021. The average payables balance was USD 498 thousand in 2021.

2. Part B – Exposure to market risks and risk management

2.1 Company's market risk officer

The market risk officer in the Company is Arye Lumelsky who serves as CFO (for details regarding Mr. Lumelsky, see Section 26A of Chapter D hereunder).

2.2 Description of market risks to which the Company is exposed

2.2.1 Credit risk – the Company provides short-term credit (mostly 30-60 days) to its customers under its current engagements with them. In general, the Company's sales to its customers are with respect of projects financed by banks and institutional entities. Accordingly, the financial stability of the Company's customers is examined by those entities, both with respect of the customer and the project. As a result, at the Company's evaluation, the credit risk of customers to which it is exposed is low.

2.2.2 Exchange rate – the Company is exposed to changes in exchange rates in view of the fact that some payments to the Company's suppliers and the income from its customers are made in foreign exchange (rupee or shekel), and on the other hand, most of the Company's revenues are linked to USD. Therefore, substantial fluctuations in rate exchanges may have a limited affect on the Company's business results in its line of business.

2.3 Company's market risk management policy

2.3.1 Credit risk – as aforesaid, the Company provides products and services to photo-voltaic facilities which are financed by project-based funding (from banks and institutional entities). The financial stability of customers is examined by the funding parties which are liable to repay payments for the products and services. Other than that, the majority of the Company's customers are some of the leading global players in the solar energy sector having high financial stability. If in the future the Company starts providing products and services to players at a higher risk level, the Company will make a credit survey for those potential customers prior to sales and providing services.

2.3.2 Exchange rate – as of the Prospectus date, the Company's board of directors decided to establish a hedging committee consisting of 12 Company directors which will establish a policy for management of



exchange rate fluctuation risks (in this Section 2: "**the Committee**" and "**the Policy**", respectively)

2.4 Supervision measures for implementation of Policy

The Committee will help the board of directors to fulfill its duty as part of its supervision of management of risks relating to the Company's exposure to exchange rate fluctuations. The Committee will set terms and parameters governing each future engagement in a material maintenance agreement (which constitutes more than 10% of the Company's income from maintenance or includes maintenance fee of more than USD 500,000) in the countries indicated in the Policy or according to the Committee's prior approval. As of the report date, the Committee has not yet convened and such terms and parameters have not yet been established.

3. Part C – Corporate governance aspects

3.1 Donations

As of the Prospectus date, the Company has not adopted a donation policy. During the Report Period the Company has not given any donations.

3.2 Directors with accounting and financial expertise

The Company's board of directors decided, in accordance with Section 92(A)(12) of the Companies Law, that the minimum number of directors with accounting and financial expertise is two (2).

This decision by the board of directors was made, considering, *inter alia*, the Company's size, type of activity, number of members of the board of directors, and the board of directors' composition that includes people with managerial and professional experience and skills.

As of the publication date of the report, the Company has had two directors with accounting and financial expertise: Mr. Eran Meller, and Ms. Tal Yaron-Eldar. For details regarding such directors' education and experience based on which the Company considers them directors with accounting and financial expertise, See Section 26 of Part D of the periodical report.

3.3 Independent and external directors

As of the date of this report, the Company has not adopted any provision regarding the rate of independent directors (within the definition of this term in the Companies Law) to serve on the Company's board of directors. However, it is noted that as of the date of this report, 2 independent directors (who are external directors) serve on the Company's board of directors.

On February 11, 2021, the general meeting of the Company approved the appointment of Ms. Adina Eckstein and Ms. Tal Yaron-Eldar as external directors in the Company. According to the decision of the Company's board of directors, Ms. Tal Yaron-Eldar was classified as an external director with accounting and



financial expertise. For further details, see the Company's immediate reports of February 14, 2021 (Ref No.: 2021-01-017833, 2021-01-017836 and 2021-01-017845), presented here by way of reference.

3.4 Internal auditor

Auditor's name:	CPA. Doron Rosenblum (Kreston Israel)
Service start date:	Match 22, 2021
Compliance with legal provisions	To the best of the Company's knowledge and as informed by the internal auditor, the internal auditor meets the provisions of Sections 146(B) and 147 of the Companies Law and the provisions of Sections 3(A) and 8 of the Internal Audit Law, 5752-1992 (" the Internal Audit Law ").
Holding securities of the corporation and business/material relations with the corporation:	To the best of the Company's knowledge and as informed by the internal auditor, the internal auditor holds no securities of the Company or of a related party and has no material business or other material relations with the Company, within the definition of these terms in the Forth Addendum of the Regulations.
Appointment of internal auditor:	On March 22, 2021, the Company's board of directors approved, in accordance with the recommendation of the Company's audit committee, the appointment of CPA Doron Rosenblum as the internal auditor of the Company. The reasons for the approval of the appointment were mainly the experience the internal auditor has gained in internal audits which would help him in carrying out the duties imposed on him pursuant to the law, an in-depth review of his education, skills, and experience, and considering, <i>inter alia</i> , the Company's type, size, scope of activity, and complexity.
Corporate officer in charge of internal auditor:	In accordance with the articles of association of the Company, the corporate officer in charge of the internal auditor is the chairman of the board of directors.
Audit plan:	On March 16, 2022, the Internal Auditor's audit plan for 2022 was approved pursuant to the multiannual plan and risk survey that was conducted by the Internal Auditor. The audit plan will be updated pursuant to the Audit Committee's resolutions.
Reference to investee corporations:	The risk survey and audit plan will also refer to the Company's investee corporations.
Scope of employment:	About 300 hours in the course of 2021 (mainly for the purpose of performing a risk survey).
Professional standards:	The audit plan is prepared according to acceptable professional standards, as provided for in Section 4(B) of the Internal Audit Law.
Access to information:	The internal auditor has full free access to the Company's documents, as stated in Section 9 of Internal Audit Law, including access to the corporation's information systems,



	including financial data.
Internal auditor's report:	On March 16, 2022 the Internal Audit Report, on the subjects of human resources and salary, was submitted to the members of the Audit Committee and there a discussion on the findings was held.
Remuneration:	The remuneration of the internal auditor will be computed based on the working hours invested by him in practice according to an hourly rate agreed upon in advance. At the estimate of the audit committee and the Company's board of directors, the remuneration of the internal auditor is reasonable and will not impact the internal auditor's exercise of professional discretion.

3.5 Remuneration policy

In November 2020 the Company adopted a remuneration policy for the office holders of the Company which is attached as Appendix B to the Prospectus ("**the Remuneration Policy**"). The Remuneration Policy entered into force on the listing date of the Company's securities to trade. According to the Companies Regulations (Easements regarding the Duty to Determine a Remuneration Policy), 5773-2013, the Remuneration Policy will remain in force for a 5-year term following completion of listing for trade as aforesaid.

3.6 Details regarding the auditor

The Company's auditor is PwC Israel, Kesselman & Kesselman C.P.A.s. ("**the Auditor**").

The Auditor's fee is determined through negotiations between the Company's management and the Auditor, according to the scope of work, nature of work, past experience, and market conditions. The organ approving the Auditor's fee is the Company's board of directors.

The following is a specification of the Auditor's fee and working hours for 2021-2020:

	Fee (thousands NIS)	
	2021	2020
Audit services and services relating to audit and tax services	424	378

3.7

Disclosure regarding Company's signatory

As of the Prospectus date, the Company has no independent signatories.



4. **Part D – Disclosure provisions in connection with the financial reporting of the corporation**

4.1 Critical accounting estimates

For details regarding critical accounting estimates, see Note 3 to the consolidated Financial Statements as of December 31, 2021.

4.2 Post balance sheet events

For details regarding post balance sheet events, see Note 25 of the consolidated Financial Statements as of December 31, 2021.

Eran Meller,
Chairman of the Board of Directors

Jean Scemama,
CEO

Date: March 30, 2022

Chapter C
**Consolidated financial statements
for the year ending at 31.12.2021**



ECOPPIA SCIENTIFIC LTD.

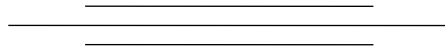
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REPORT OF INDEPENDENT ACCOUNTANTS

To the shareholders of
ECOPPIA SCIENTIFIC LTD.

We have audited the accompanying consolidated statement of financial position of Ecoppia Scientific Ltd. (hereinafter - "the Company") as of December 31, 2021, and 2020 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's Board of Directors and Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, including those prescribed under the Auditors' Regulations (Auditor's Mode of Performance) - 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31 2021, and 2020 and the results of operations, changes in shareholders' equity and cash flows for each of the years then ended in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements) – 2010.

Tel-Aviv, Israel
March 30, 2022

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

ECOPPIA SCIENTIFIC LTD.
CONSOLIDATED BALANCE SHEETS

	Note	December 31	
		2021	2020
		U.S. dollars in thousands	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	5	86,765	99,744
Restricted deposits	6a	891	486
Accounts receivable	6a	1,701	2,684
Other receivables	6b	3,124	1,943
Inventories	7	3,405	4,505
		95,886	109,362
NON-CURRENT ASSETS:			
Fixed assets, net	8	1,463	1,114
Intangible Assets	10	1,681	-
Restricted deposits	6a, 9	131	459
Lease assets	9a	758	537
		4,033	2,110
TOTAL ASSETS		99,919	111,472
Liabilities and equity			
CURRENT LIABILITIES:			
Trade payables	12a	661	334
Other payables	12b	1,955	1,316
Contract liabilities		687	913
Current maturities of lease liabilities	9b	302	217
Warrants to lender	22	-	1,442
		3,605	4,222
NON-CURRENT LIABILITIES:			
Lease Liabilities	9b	440	320
Severance pay obligations, net		268	149
		708	469
TOTAL LIABILITIES		4,313	4,691
COMMITMENTS	13		
EQUITY:	14		
Ordinary Shares		3	3
Share premium		145,598	145,331
Accumulated deficit		(49,995)	(38,553)
TOTAL EQUITY		95,606	106,781
TOTAL LIABILITIES AND EQUITY		99,919	111,472

Eran Meller
Chairman of the Board

Jean Scemama
CEO

Arye Lumelsky
VP Finance

* Represents an amount lower than one thousand US dollars.

Date financial reports approved by board of directors: March 30, 2022

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

ECOPPIA SCIENTIFIC LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year ended December 31	
		2021	2020
		U.S. dollars in thousands	
Revenues	15	5,905	3,032
Cost of revenues	16	4,215	2,246
GROSS PROFIT		1,690	786
Research and development expenses	17	8,574	5,783
Sales and marketing expenses	18	1,962	702
General and administrative expenses	19	4,702	3,422
OPERATING LOSS		13,548	9,121
Financial expenses	20	197	972
Financial expenses pertaining to reappraisal of options	20	-	10,146
Financial income	20	(599)	(1,369)
FINANCIAL EXPENSES (INCOME), net		(402)	9,749
LOSS BEFORE INCOME TAXES		13,146	18,870
Income tax	11	34	18
NET COMPREHENSIVE LOSS FOR THE YEAR		13,180	18,888
LOSS PER ORDINARY SHARE- basic and diluted	21	0.51	0.51

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

ECOPPIA SCIENTIFIC LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Ord. Shares	Non- Voting Shares	Pref. A Shares	Pref. A1 Shares	Pref. A2 Shares	Pref. A3 Shares	Pref. A4 Shares	Pref. A5 Shares	Share and Warrant Premium	Accum. deficit	Total Equity
BALANCE as of January 1, 2020	<u>1</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,180</u>	<u>(20,735)</u>	<u>7,446</u>
CHANGES DURING 2020:											
Net comprehensive loss for the period										(18,888)	(18,888)
Issue of A3 preferred shares, net						*			4,498		4,498
Option exercise	*								60		60
Issue of A5 preferred shares, net	(*)							1	19,878		19,879
Exercise of A4 warrants							*		9,850		9,850
Issue of share and warrant, net Share-based payments	2	(*)	(*)	(*)	(*)	(*)	(*)	(1)	82,865	1,070	82,866
	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,331</u>	<u>(38,553)</u>	<u>106,781</u>
BALANCE as of DECEMBER 31, 2020											
Net comprehensive loss for the period										(13,180)	(13,180)
Option exercise									267		267
Share-based payments										1,738	1,738
BALANCE as of DECEMBER 31, 2021	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,598</u>	<u>(49,995)</u>	<u>95,606</u>

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

ECOPPIA SCIENTIFIC LTD.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended December	
	31	
	2021	2020
	U.S. dollars in	
	thousands	
Changes in restricted deposits		
CASH FLOWS USED FOR OPERATING ACTIVITIES:		
Net cash used for operations (see appendix A)	(8,708)	(10,048)
Income taxes payment	(4)	(3)
Net cash used for operating activities	<u>(8,712)</u>	<u>(10,051)</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of fixed assets	(1,028)	(311)
Interest received	159	62
Capitalized expenses	(1,681)	-
Changes in restricted deposits	(129)	(425)
Net cash used for investing activities	<u>(2,679)</u>	<u>(674)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares and warrants, net	-	83,052
Proceeds from issuance of preferred A3 shares, net	-	2,483
Proceeds from exercise of preferred A4 warrants	-	592
Proceeds from issuance of preferred A5 shares, net	-	19,879
Exercise of warrants	267	60
Exercise of warrant granted to lender	(1,442)	-
Proceeds from loan and option warrant grants to lender and investors	-	5,865
Loan repayment	-	(5,908)
Interest payments	(61)	(765)
Principal payments pertaining to leases	(297)	(236)
Net cash from financing activities	<u>(1,533)</u>	<u>105,022</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(12,924)</u>	<u>94,297</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	99,744	3,496
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(55)</u>	<u>1,951</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>86,765</u></u>	<u><u>99,744</u></u>

ECOPPIA SCIENTIFIC LTD.

CONSOLIDATED STATEMENTS OF CASH FLOW (cont.)

	Year ended December 31	
	2021	2020
	U.S. dollars in thousands	
(A) Cash used in operating activities:		
Comprehensive Loss for the year	(13,180)	(18,888)
Adjustments for:		
Depreciation and amortization	506	547
Share-based payments	1,738	1,070
Changes in fair value of option warrants granted to lender	-	1,346
Changes in fair value of option warrants granted to investors	-	8,800
Financial expenses, Net	102	919
Loss from inventory impairment	747	-
Income taxes paid	4	3
Interest received	(159)	(62)
Effects of exchange rate changes on cash and cash equivalents	55	(1,951)
Increase in employee severance liabilities, net	119	77
	3,112	10,749
Changes in operating assets and liabilities items:		
Decrease (Increase) in inventories	734	(2,835)
Decrease (Increase) in other receivable	(1,181)	1,691
Decrease (increase) in trade receivable	983	(1,039)
Increase (decrease) in trade payable	465	-
Increase (decrease) in contract liabilities	327	(927)
Increase in other other payables	(226)	731
	258	470
Net cash used f operating activities:	1,360	(1,909)
	(8,708)	(10,048)
(B) Non-cash flow financing and investing activities:		
Lease liability	-	455
Conversion of loan to preferred A3 shares and warrants	-	2,478
Conversion of warrants into A4 preferred shares granted to investors	461	9,263
Capital expenses not paid as of the date of the balance sheet	-	187

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

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

a. Incorporation and Activity

Ecoppia Scientific Ltd. (hereinafter - the "Company") is a public corporation whose shares are listed for trade on the Tel Aviv Stock Exchange (hereinafter – the “Exchange”). On November 24 2020, the Company issued its shares for public trading on the Exchange (hereinafter – “Public Stock Issuance”), see note 14b.

The Company and its subsidiaries (collectively – the "Group") are engaged in, development, sale and operating and maintenance of cloud based robotic systems for cleaning solar panels.

The incorporated in Israel on January 7, 2013. The Company's address is 4 Ha'Barzel, Tel Aviv, Israel.

The Company has two wholly owned subsidiaries, Ecoppia Scientific LLP, (the "Subsidiary"), a limited partnership incorporated in India in August 2016, and Evermore United S.A, a private company incorporated in British Virgin Islands in October 2014.

b. Covid-19 Crisis

During December 2019, a novel Coronavirus, Covid-19, spread, first in China and then globally. The Covid-19 outbreak created uncertainties in the global economy, and economic damage due to the shutdown of many businesses, production slowdowns and delays in shipments, domestic and international travel. As part of dealing with the crisis, many countries imposed restrictions on various activities. Those included, amongst others, travel, gatherings, access to public spaces and workplace presence. These restrictions directly impacted many industries, with activities of some industries ceasing altogether.

In the State of Israel, during the years 2020 and 2021, five "waves" of the Corona virus broke out, following which various measures were taken by the state, which included imposing closures, restrictions on movement and gatherings, and restrictions on the opening of trading places. However, the extensive vaccination campaign conducted in Israel has led to the gradual and partial removal of most of the restrictions. Today, business activity takes place in most sectors of the economy in Israel, subject to certain restrictions.

However, in other countries of the world the corona virus crisis is still ongoing. In some countries of the world the corona plague continues to spread even today, and in some countries where some control has been gained over the spread of the corona plague the congestion restrictions and certain restrictions imposed on the trade and tourism industries have not yet been lifted.

The potential damage of the spread of Covid-19 on the economy depends on the speed and effectiveness of eradicating its global spread. As of the time of this report, it appears that many countries are acting to reduce certain restrictions with the goal of gradually resuming normal economic activity. It is impossible, at this point, to estimate the duration and intensity of the crisis, its full implications for the Company's activities. Those will inevitably depend on the pace of lifting of restrictions around the world and the impact of such restriction lifting on economic recovery.

The impact of the Covid-19 crisis on company activities are detailed below:

a. Installation of the Company's systems

The impact of the spread of Covid-19 and imposed restrictions resulted in delays in completion of installation of photo-voltaic installations in many countries around the world and India in particular, being the Company's prime market. This, in turn, impacted the Company's ability to install robotic systems on customer sites as planned. Additionally, delays, greater than Company's estimates, occurred in installation of robotic systems in customer sites.

b. Company income and new orders

Unfeasibility of face-to-face customer meetings and customer focus on internal Covid-19-related issues caused delays in new engagements and in realization of engagements based on framework agreements and memoranda of understanding

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL (continued):

- c. Company system manufacturing the company slowed down the production activity of the company systems after returning to regular production in May 2020 in view of the general slowdown in the pace of construction of solar projects in India and the markets in which it is active.
- d. Global shortage of raw materials and electronic components and rising freight prices
Global demand in 2021 for raw materials and electronic components, including: metals, aluminium, chips, solar panels and other products, has significantly exceeded the supply of these materials and therefore there is a concern of slowing or stopping global supply which affect, among other things, the company's operations, as follows:
 1. Prices increase of metals and freight make the E4 robotic solution (which is supported by dedicated railways) more expensive for the company's customers. As a result of the above increase, the Company found it difficult, during 2021, to generate sales of the product. The Company estimates that the sharp increase in product cost for customers and the continued price pressure trend in the solar industry will make it difficult for the Company to market the product in the future. The Company also performed an impairment evaluation on its inventory of systems, and the Company performs additional activities, listed below, in order to locate potential customers for its systems and locate additional markets in which the product will be in demand.
 2. The shortage of raw materials and components, poses a risk to the continuity of production of the company's products and its ability to meet demand for expected orders for 2022 and 2023, therefore the Company began, during the third quarter and will continue in the fourth quarter, to purchase surplus stocks of components whose availability and delivery times are scarce and long.

As of December 31, 2021, the inventory balance of raw materials and finished goods includes a total of \$ 3,405 thousand in respect of inventory presented at net realizable value. The amount of impairment recognized as an expense under cost of goods sold is \$ 747 thousand.

Consequent to the Covid-19 pandemic, the Company performed widespread risk management activities at all levels to deal with the issues and events relevant to this period, and their potential implications. To minimize the impact of the crisis, the Company, amongst others, acted as follows:

- a. Maintenance work
Maintenance of Company systems installed in customer sites in India and Israel was deemed essential, and thus continued as normal since the beginning of the outbreak
- b. Business development
The Company continues to examine business development opportunities and acts to promote business opportunities in both the Israeli and international markets. The Company believes that following the crisis, business opportunities will increase as countries and entities increase investment in renewable energy, and as falling oil prices negatively impact companies in the traditional energy sector and encourage investors to transition to the renewable energy sector in general and into the PV sector particularly.
- c. Strengthening of the Company's financial structure through high quality capital raising in financial markets
The recent financing rounds performed by the Company in financial markets reinforce its financial strength and allow it to promote its business strategy.

As of the sign-off of these reports, and in the foreseeable future, the Company does not foresee a significant impairment of its activities, either in terms of its ability to provide its products and services to customers, or in terms of its ability to realize orders and provide operation and ongoing maintenance services. That is due to the Company's current customer base, the potential for future engagement with existing customers and with potential customers in the markets where the Company

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL (continued):

operates and in additional markets, including due to the ongoing growth and development of the PV installation industry, despite the Covid-19 crisis.

Having said that, there is a concern that continuation of the crisis will cause additional delays in the construction of solar installations, in the manufacturing and supply of equipment and raw materials, difficulties in identification of funding sources, an increase in funding costs, decline in quantity of employees, restrictions on Company activities etc., which might impact Company activities. In addition, due to uncertainty as to the spread of the virus, or new outbreaks, and prolongation of the consequent economic crisis, the Company cannot estimate whether additional delays in Company system installations at customer sites, and provision of services to customers because of any of the events above might be possible. Such delays may materially impact the financial results of the Company, especially in the short term, as on the one hand the Company continues to get ready to the growth expected in the next few years, and as such it doesn't engage in significant cost-reduction activities, and, on the other hand, its income is negatively impacted as long as the trend of delays in customer project installation, and consequently installation of Company system there, continues.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of preparation of the financial statements

The consolidated financial statements of the Company as of December 31 2021 and 2020, and the respective consolidated statements of comprehensive loss, changes in shareholders' equity and consolidated statement of cash flows for each of the two respective years have been prepared in accordance with International Financial Reporting Standards, ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and include the additional disclosures required by the Securities Regulations (Annual Financial Statements) – 2010.

- 1) The significant accounting policies described below have been applied consistently in relation to all the periods presented, unless otherwise stated.
- 2) The financial statements have been prepared under the historical cost.
- 3) 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3. Actual results could differ from those estimates and assumptions.
- 4) The Group's operating cycle period is 12 months.
- 5) The Company used the practical expedient given to companies that are included in the Tel Aviv – Tech-Elite index. Accordingly, the consolidated statements will include a period of two years instead of three. As part of the "Unique Fastrack" for adding technology and bio-med shares to the Tel-Aviv Tech-Elite index, the Company's shares were added to the Tel-Aviv Tech-Elite index as of close of business of February 4, 2021.

b. Consolidated financial statements

Subsidiaries

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity, and, has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. The subsidiaries are deconsolidated from the date that control ceases.

Intercompany transactions and balances have been eliminated upon consolidation. Profits and losses, arising from intra-group transactions, and which were recognized in assets (such as inventory) were also eliminated. the accounting policies applied in the subsidiary are consistent with the accounting policies adopted by the Group.

c. Functional currency

- 1) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The U.S. dollar is the currency of the primary economic environment in which the operations of the Group are conducted. The financial statements are presented in U.S. dollars.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

2) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of comprehensive loss within financial income or expenses.

d. Property and equipment

Property and equipment are initially stated at purchase cost.

Subsequent costs are included when incurred in the asset's book value or recognized as a separate asset only when future economic benefits are expected, and the cost can be measured reliably. When a part of a fixed asset is replaced, its value is deducted. Repairs and maintenance are charged to the statement of comprehensive loss during the period in which they are incurred. Property and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation and impairment are charged to profit and loss.

The assets are depreciated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

	<u>%</u>
Computers	33
Furniture & equipment	6-15
Software	20
Vehicles	15

Leasehold improvements are depreciated over the lease period or the expected useful life of the improvements, whichever is shorter.

Residual value, depreciation method and the lifespan of assets is reviewed and if necessary corrected annually.

Assets are tested annually for impairment.

e. Research and development

Research expenses are charged to profit or loss when incurred. An intangible asset arising from development of the Company's products is recognized if all the following conditions are met:

- It is technically feasible to complete the intangible asset so that it will be available for use.
- Management intends to complete the intangible asset and use it or sell it.
- There is an ability to use or sell the intangible asset.
- It can be demonstrated how the intangible asset will generate probable future economic benefits.
- Adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset are available; and costs associated with the intangible asset during development can be measured reliably.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Other development costs that do not meet the above criteria are recognized as expenses at the time they are incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

As of December 31, 2020, the Company does not meet the conditions for capitalizing development costs and no intangible assets have been recognized in respect of the development costs borne by the Company.

During 2021, all the conditions were met to capitalize development costs as an intangible asset in connection with the development of a new product and therefore the Company recognized an intangible asset in respect of these costs as detailed in Note 10.

f. Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

g. Financial assets

- 1) As of January 1, 2018, the Company adopted IFRS 9 "Financial Instruments" (hereinafter – "IFRS 9").
- 2) Group policy regarding Financial Instruments based on IFRS9:

a. Classification

The financial assets of the Group are classified as financial assets at amortized cost. The classification is done based on the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

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

Financial assets at amortized cost are included in current assets, except for those with maturities greater than 12 months after the statements of financial position date (for which they are classified as noncurrent assets).

Financial assets at amortized cost are trade and other receivables, cash and cash equivalents and restricted deposits as part of the consolidated statements of financial position.

b. Recognition and measurement

Purchases and sales of financial assets are recognized on the transaction date, which is the date on which the Group is obligated to sell or purchase the asset. Investments are initially recognized at fair value, including transaction costs. Financial assets not recorded at fair value through profit or loss, except for trade receivables.

Financial assets are derecognized when the rights to receive cash flow from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at amortized cost are measured in subsequent periods at amortized cost using the effective interest method.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

c. Impairment

The Group recognizes an allowance for credit losses on financial assets at amortized cost.

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. If the financial instrument is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition.

The Group measures the allowance for expected credit losses on trade receivables that are within the scope of IFRS 15 and on financial instruments for which the credit risk has increased significantly since initial recognition based on lifetime expected credit losses

h. Inventory

Inventory is measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average method. In the case of finished goods, costs include, raw materials, direct labor, other direct costs.

Net realizable value is the estimated selling price in the ordinary course of business, less variable attributable selling expenses.

i. Accounts receivable

Accounts receivable includes payments due to the Group from its customers for goods or services supplied in the ordinary course of business. Accounts receivable are classified as current assets if payment is due within one year, otherwise they are recognized as non-current assets.

Commencing January 1, 2019, account receivables are recognized in accordance with the transaction price as defined in IFRS 15, if the accounts receivable do not consist of a material financing component in accordance with IFRS 15 and are measured in amortized cost using the effective interest rate method.

j. Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term bank deposits (with maturities start date of three months or less) that are not restricted as to withdrawal or use and are therefore considered to be cash equivalents.

k. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are included in equity as a deduction from the proceeds.
See note 14b as to issuance of publicly traded shares in November 2020.

l. Trade payable

Trade payables include the Company's liabilities to pay for goods or services purchased from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year, otherwise they are recognized as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost based on the effective interest method

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

m. Current and deferred taxes

Taxes on income include current and deferred taxes.

The amount of current taxes is determined in accordance with the tax rates (and tax laws) that have been enacted or substantively enacted as at the date of the statement of financial position in countries where the Company operates. Management periodically evaluates the tax aspects that apply to its taxable income, in accordance with the relevant tax laws, and creates provisions in accordance with the amounts expected to be paid to the tax authorities.

The Group recognizes deferred taxes based on the liability method, for temporary differences between the carrying amounts of assets and liabilities included in the consolidated financial statements and the amounts used for tax purposes. The amount of deferred taxes is determined in accordance with the tax rates (and tax laws) that have been enacted or substantively enacted as at the date of the statement of financial position and are expected to apply when the deferred tax assets will be realized or when the deferred tax liabilities will be settled.

Deferred tax assets are recognized for deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset if and only if:

- There is an enforceable legal right to offset current tax assets against current tax liabilities; also
- Deferred tax assets and liabilities relate to income taxes imposed by the same tax authority on the same taxable entity or on different taxable entities that intend to dispose of the balances on a net basis.

n. Share based compensation

The Group operates a share-based payment plan for employees, settled by the Company's equity instruments, whereby the Company receives services from employees in exchange for the Company's equity instruments. The fair value of services received from employees in exchange for the equity instruments is recognized as an expense in the statements of comprehensive loss. With respect to options granted to employees the total amount recognized as an expense in statements of comprehensive loss is based on the fair value of the options granted.

The total expense is recognized over the vesting period when the performance condition is probable. The vesting period is the period over which all the specified vesting conditions are to be satisfied. At each reporting date, the Group adjusts its estimates of the number of options that are expected to vest, based on the non-market vesting conditions, and recognizes the effect of the change compared to original estimates, if any, in the statement of comprehensive loss, and a corresponding adjustment in equity.

When exercising the options, the Company issues new shares, the proceeds, net of directly attributable transaction costs, are recognized in share capital (par value) and additional paid in capital.

o. Provisions

A provision is recognized when the Group has a present (legal or constructive) obligation as a result of a past event, it is expected to require the use of economic resources to clear the obligation and a reliable estimate can be made of it.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

p. Revenue recognition

1. Measurement

Commencing January 1, 2018, the Group's revenues are measured according to the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, such as certain sale taxes. Revenues are presented net of VAT and after eliminating inter-company revenues.

If the contract contains element of variable consideration (for example as a result of the customer's performance), the Group will estimate the amount of variable consideration to which it is entitled under the contract and includes in the transaction price all or some of the variable consideration only when it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. At the end of each period the Group updates the transaction price estimated in order to better present the circumstances at the end of the reported period and changes occurred during the period.

Furthermore, the Group adjusts for the time value of money if the timing of payments agreed between the Group and the customer provides the customer with a significant financing benefit in connection with the transfer of goods or services to the customer (meaning, when the contract contains a major financing component).

2. Timing of revenue recognition

The Group recognizes revenue when the control over the promised goods or services is transferred to the customer. For every performance obligation, the Company determines, at contract signing date, whether the performance obligation is delivered at a point in time or over time.

The Group recognizes revenue over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes all of the benefits provided by the Group as the Company performs. (b) The Group's performance creates or enhances an asset that the customer controls as the asset is created. (c) The Group's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If the Company does not satisfy its performance obligation over time, it satisfies it at a point in time.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

3. Types of revenue

Revenues from selling robotic systems for cleaning solar panels.

The Company manufactures and sells robotic systems for cleaning solar panels. In most cases, the contracts with the Company's customers include the sale and installation of the systems and also maintenance and cloud services for long periods (20-25 years).

After the delivery and installation of the robotic systems the customer can benefit from the product with no dependency in the other components of the contract. Therefore, the sale of the system is considered as a separate performance obligation.

Revenue from the sale of the systems is recognized at the point in time when it was delivered and installed at the customer's location.

Revenues from maintenance services and cloud services

Revenues from maintenance services and cloud services are recognized in the period in which the services were provided, based on the services actually provided during that period, since the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs.

The transaction price allocated to every performance obligation according to expected cost plus a reasonable margin.

q. Leases

1. Company's accounting policy regarding leases in which the Company is the lessee commencing January 1, 2019, according to IFRS 16:

When entering an arrangement, the Company determines whether it is a lease or contains a lease if it transfers the right-of-use to a specific asset for a period of time in exchange for a consideration. The Company reevaluates whether an arrangement is a lease or contains a lease only if there is a change in terms.

Initially, leases are recognized as a lease liability measured at on a present value basis.

Lease liabilities include the net present value of the future expected lease payments during the lease term, including any extension price if the lease is reasonably certain to be extended.

Right-of-use assets are recognized at the same amount as lease liabilities adjusted by lease payments made at lease inception or before and including direct costs incurred to the Company.

Since the interest rate implicit in the lease cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease term is the lease term in which the lease cannot be canceled and includes extension options (or periods after termination options) if the lease is reasonably certain to be extended (or not terminated).

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

After lease commencement, the Company measures the right-of-use assets at cost, less accumulated depreciation and accumulated impairment losses, adjusted for any re-measurement of the lease liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Buildings	2-3 years
Vehicles	2-3 years

Interest on the lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles as well as lease payments in which the underlying asset is of low value are recognized using the straight-line method over the lease term, as a charged to profit or loss. Short-term leases are leases in which the lease term is 12 months or less.

Regarding the Subsidiary's offices, whose lease period does not exceed 12 months, the Group elected not to recognize the right-of-use asset and lease liability

2. Group's accounting policy regarding assets that the Company leases to others:

Operating leases in which the Company is lessor are included in the consolidated balance sheet according to their nature and are depreciated over the asset's useful life. Revenues from rent are recognized over the lease period according to the straight-line method.

r. Loss per ordinary share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares issued and outstanding during the year. In computing diluted loss per share, the basic loss per share is adjusted to take into account the potential dilution that could occur upon the conversion of any dilutive financial instruments by subtracting from net loss the fair value changes of such financial instruments, and by adjusting the weighted average number of outstanding ordinary shares, assuming conversion of all such dilutive potential shares. Potential shares are only dilutive if their conversion would increase the loss per share. If the loss per share would decrease, the shares are anti-dilutive and are excluded from the diluted loss per share calculation.

s. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. The Company operates in one operating segment.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

t. Employee benefits

The Group operates a number of employee benefit plans upon termination of employment, including defined benefit plans and defined contribution plans.

1) Post-employment benefits obligation

A defined contribution plan is an employee benefit plan after termination of employment in which the company makes regular deposits to a separate and independent entity so that the company has no obligation, legal or implied, to make additional deposits, in a situation where the fund assets will not be enough to pay all employees for current and earlier service periods.

A defined benefit plan is an employee benefit plan after termination of employment that is not a defined contribution plan.

The company operates a number of pension plans. The plans are funded through payments, which are transferred to insurance companies or to pension funds managed in a trust. According to their terms, the pension plans meet the definition of a defined contribution plan as defined above.

In accordance with the labor laws and labor agreements in Israel and in accordance with the Company's practice, the Company must pay severance pay to employees who are fired or who retire from their work in certain circumstances. The Group's obligation to pay retirement compensation for the majority of employees is treated as a defined benefit plan and for the other employees is treated as a defined contribution plan.

In accordance with the group companies' commitment to employees for whom there is a plan that constitutes a defined benefit plan, the amounts of benefits that the employee entitled to compensation upon retirement will receive are based on the number of years of seniority and his last salary.

The group companies' obligation regarding the other employees who are part of a defined contribution plan is to make regular deposits to a separate and independent entity, the Company has no legal or implied obligation to make additional deposits, in a situation where the fund assets will not be enough to pay all employees for current and earlier service periods.

2) Vacation and recreation pay

By law, all employees are entitled to vacation and recreation pay, calculated on a monthly basis. The right is based on the employment period. The Group attributes liability and expense for vacation and convalescence pay, based on the benefit accrued for each employee.

If the Group anticipates that the benefit in respect of the vacation pay will be paid off in full during the 12 months after the end of the reporting period in which the employees provide the relevant services, the liability for this benefit is measured according to the additional amount that the Group anticipates will be paid for the unused vacation pay entitlement accrued at the end of the reporting period. If the Group does not expect the benefit in respect of the vacation pay to be paid in full during the said period, the liability in respect of that benefit is measured in the same way as the liability in respect of defined benefit plans is measured.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

u. Recently issued accounting standard

New standards and standards still in force but which the Group did not choose to implement early:

Amendment to International Accounting Standard 1 – presentation of financial reports (hereinafter: “Amendment to IAS-1”)

Amendment to IAS-1 clarifies the guidelines for classifying liabilities as current or non-current in the financial statements. The amendment clarifies, amongst others, that:

1. A liability will be classified as a non-current liability if the entity has a substantive right to defer the settlement of the liability for at least 12 months after the end of the reporting period. The amendment also clarifies that the entity's intention regarding the exercise of the right is not relevant for the purpose of classifying the obligation and eliminates the reference to the existence of an unconditional right.
2. A substantive right, as above, exists only if the entity satisfies the relevant terms as of the balance date
3. For this purpose, settlement of the liability including cash settlement, other economic resources, or capital instruments of the entity. Having said that, the right to convert a convertible instrument classified as capital does not impact the classification of the liability due to the instrument.

Amendment to IAS-1 was applied retrospectively to annual periods starting on or after January 1 2023. Following the instructions of the amendment, early application is possible. The initial implementation of Amendment to IAS-1 is not expected to materially impact the consolidated financial reports of the Group.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting estimates are continually evaluated and adjusted based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

A. Critical accounting estimates

The Company makes estimates and assumptions concerning the future. Such estimates, by nature, are subjective and complex, and consequently, may differ from actual results. The estimates with significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below:

Deferred taxes

The Company recognizes deferred tax assets and deferred tax liabilities based on the differences between the book value of assets and liabilities and their value for tax purposes. The Company continually evaluates its ability to recover the tax assets included in its accounts, based on historic taxable income, foreseeable taxable income and the expected reversal of temporary differences. This evaluation is based on estimates and assumptions in regards with the Company's taxable income forecast.

B. Significant judgements with material effect on accounting policy

Development expenses

The Company is required to exercise discretion in connection with the existence of the conditions for recognizing its development expenses as an intangible asset or that it is necessary to continue to attribute them to the statement of operations.

The evaluation is made according to the provisions in note 2e.

The Company's management exercises discretion as to the existence of the conditions for capitalization of development costs in respect of each of its development projects, where in the event that management determines that these conditions are met, intangible assets are recognized in respect of development costs eligible for recognition as an asset (see also Note 10).

Lease period

Commencing January 1, 2019, the Company adopted IFRS 16. Management is required to evaluate the facts and circumstances that create an economic benefit for the Company to exercise its extension option in the lease agreements. Extension options are included in the lease period when it is reasonably certain that the Company will exercise the option to extend the lease.

The Company expected in 2019 that the extension option then included in the offices lease agreement would not be exercised, and the option was not in fact exercised. The Company also expect that other extension options and other agreements will be exercised.

Management evaluated whether it is reasonably certain that an option to extend will be exercised in the event of a major change in circumstances, that is controlled by the Company and effects the decision whether it is reasonably certain that the Company will exercise the option, that was not previously included in the lease period.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Performance obligations and revenue recognition

Determining the accounting policy for the Company's contract with its costumers requires a significant judgement. The Company manufactures and sells robotic systems for cleaning solar panels. In most cases, the contracts with the Company's customers include the sale and installation of the systems and also maintenance and cloud services for long periods (20-25 years).

After the delivery and installation of the robotic systems the costumer can benefit from the product with no dependency in the other components of the contract. Therefore, the sale of the system is considered as a separate performance obligation.

Revenue from the sale of the systems is recognized at the point in time when it was delivered and install at the costumer's location.

Revenues from maintenance services and cloud services are recognized in the period in which the services were provided, based on the services actually provided during that period, since the costumer simultaneously receives and consumes the benefits provided by the Company as the Company performs.

See note 2q.

NOTE 4 - FINANCIAL INSTRUMENTS:

a. Financial risk management:

1) Financial risk factors

The Group's activities expose it to a variety of financial risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is performed by the Group's finance team, who identifies and evaluates financial risks in close cooperation with the Group's Management.

A) Market risks- Exchange rate risk

The Group is exposed to exchange rate risks arising from making transactions in various currencies. other than the Group's functional currency. The exchange rate risk is due to future commercial transactions and assets or liabilities denominated in foreign currency. As of December 31, 2021, the Group has a low exposure to fluctuations in the exchange rate of the U.S dollars to other currencies.

B) Credit risk

The Group is responsible to manage and analyze credit risks for each of its new clients before payment and shipment terms are negotiated. Credit and interest risk arise from cash and cash equivalents, deposits with banks and exposure to credit given to customers, including unpaid receivables. The Company's liquid instruments are invested in short-term deposits in leading independently highly rated banks and financial institutes. The Company reviews each client's credit, in consideration of its financial status, past dealings and other factors. During the period, no deviations from the credit limits were recorded. In addition, the Company's management does not anticipate losses as a result of non-payment by these parties.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4 - FINANCIAL INSTRUMENTS (continued):

C) Liquidity risk

Group management monitors rolling forecasts of the Group's liquidity reserves on the basis of anticipated cash flows and maintains the liquidity balances at a level that is sufficient to meet its needs.

The following table presents the maturity dates for the Company's financial liabilities based on their terms in undiscounted amounts (including due to interest payments):

	Under 1 year	2-3 years	2-5 years
Balance as of December 31, 2021:			
Suppliers and service providers	661	-	-
Other creditors	1,955	-	-
Lease liabilities	302	252	188
	<u>2,918</u>	<u>252</u>	<u>188</u>
Balance as of December 31, 2020:			
Suppliers and service providers	334	-	-
Other creditors	1,316	-	-
Lease liabilities	247	81	229
	<u>1,897</u>	<u>81</u>	<u>229</u>

2) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

3) Fair value of financial instruments

The different levels of valuation of financial instruments are defined as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs, other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4 - FINANCIAL INSTRUMENTS (continued):

b. Financial instruments:

	December 31	
	2021	2020
	U.S. dollars in thousands	
Amortized cost assets:		
Cash and cash equivalents	86,765	99,744
Restricted deposits (including long term)	1,022	945
Account and other receivables (except prepaid expenses and supplier advances)	2,741	3,984
Financial liabilities measured in fair value:		
Warrants allocated to lender	-	1,442
Other financial liabilities:		
Trade and other payables	2,616	1,650
Lease liabilities	742	537

NOTE 5 – CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
	U.S. dollars in thousands	
Cash in bank	6,673	3,244
Short term bank deposits	80,092	96,500
Cash and cash equivalents	86,765	99,744
U.S Dollars	83,466	98,210
Other currencies	3,299	1,534
	86,765	99,744

NOTE 6 – ACCOUNT RECEIVABLES

a. Account receivables

As of December 31, 2021, and 2020, Account receivables consists of open debt only. The balances as of December 31, 2021, and 2020 were net of allowance for doubtful debt of \$113 thousand for each of those years and for a specific customer. The fair value of accounts receivables approximates their carrying value, as the discounting effect is immaterial.

The Group is often required to secure the fulfillment of its obligations with a guarantee of execution. The Group has restricted bank deposits to secure these guarantees. As of December 31, 2021, and 2020, the Group has a restricted deposit of \$866 thousand and \$799 thousand, respectively. When the Company did not secure the fulfillment of its obligations with a guarantee, its balance is classified as non-current asset.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6 – ACCOUNTS RECEIVABLE (continued):

b. Other receivables

	December 31	
	2021	2020
	U.S. dollars in thousands	
Advance to supplier	1,167	363
Government institutes	802	948
Prepaid expenses	917	280
Receivable income	225	345
Others	13	7
	<u>3,124</u>	<u>1,943</u>

Amounts of monetary items included in other receivables do not include doubtful debt and do not include past due amounts. The fair value of other receivables (except for non-monetary items) approximates their carrying value, as the discounting effect is immaterial.

NOTE 7 – INVENTORY

	December 31	
	2021	2020
	U.S. dollars in thousands	
Raw materials and spare parts	1,036	1,151
Finished goods*	2,369	3,354
	<u>3,405</u>	<u>4,505</u>

(*) Finished goods balance for 31 December 2020 includes an amount of \$881,000 in related to robotic systems delivered to one of the Company's customers and which the Company chose to recognize on the basis of eligibility in accordance with receipt in practice as defined by IFRS-15. During 2021, the criteria for recognizing income were met. Accordingly, during 2021 the Company recognized revenues in the amount of approximately \$ 1.2 million in connection with the aforementioned transaction.

The impairment amount recognized as an expense under cost of goods sold balance for 2021 is \$ 747 thousand.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 8 - PROPERTY AND EQUIPMENT, net:

	2021:			Cost			Accumulated depreciation			Net book value
	Balance at beginning of the year	Additions during the year	Disposals	Balance at end of the year	Balance at beginning of the year	Additions during the year	Disposals	Balance at end of the year		
	U.S Dollars in thousands									
Computers	628	548	447	729	488	127	447	168	561	
Leasehold improvements	180	408	-	588	18	40	-	58	530	
Vehicles	57	-	-	57	42	6	-	48	9	
Robotic systems leased to a third party*	1,164	-	1,164	-	699	-	699	-	-	
Furniture and equipment	399	72	9	426	67	41	9	99	363	
	<u>2,428</u>	<u>1,028</u>	<u>1,620</u>	<u>1,836</u>	<u>1,314</u>	<u>214</u>	<u>1,155</u>	<u>1,155</u>	<u>1,463</u>	
	2020:									
	Cost			Accumulated depreciation			Net book value			
	Balance at beginning of the year	Additions during the year	Disposals	Balance at end of the year	Balance at beginning of the year	Additions during the year		Disposals	Balance at end of the year	
	U.S Dollars in thousands									
Computers	512	116	-	628	425	63	-	488	140	
Leasehold improvements	84	96	-	180	14	4	-	18	162	
Vehicles	49	8	-	57	35	7	-	42	15	
Robotic systems leased to a third party*	1,164	-	-	1,164	466	233	-	699	465	
Furniture and equipment	308	91	-	399	38	29	-	67	332	
	<u>2,117</u>	<u>311</u>	<u>-</u>	<u>2,428</u>	<u>978</u>	<u>336</u>	<u>-</u>	<u>1,314</u>	<u>1,114</u>	

(*) The robotic systems are leased to a third party as an operating lease in exchange for variable monthly lease payments, determined by the level of performance and reduction of water usage and manpower resulting from the use of the products. As of December 31, 2021, this mechanism has been terminated, and the balance in respect of this lease has been deleted from the books. See further information below.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 8 - PROPERTY AND EQUIPMENT, net (continued):

An agreement of the Company with a current customer in India in a 166 MW project (in this sub-section: the “**Customer**”, the “**Project**” and the “**Original Agreement**”) provides a profit-sharing mechanism. The agreement stipulates, among other things, that if the Customer sells the Project to a third party (the “**Buyer**”), the Company will be entitled to a nonrecurring payment in lieu of the profit-sharing mechanism and will be required to provide the system operation and maintenance services until the end of the project period for no further consideration.

On March 12, 2021, following the sale of the project by the Customer to the Buyer, the Company entered into agreements with the Customer and with the Buyer that govern the relations between the parties in connection with the sale of the Project (“**Project Turnover Agreement**”).

In the course of 2021, the Company has recognized income totaling USD 2.2 million in connection with the Project’s sale. Furthermore, the Company will continue to provide operation and maintenance services for the robotic systems that will continue operating in the Project, and notwithstanding the Original Agreement, the Company will be entitled to payment from the Buyer for these maintenance services in accordance with the mechanism prescribed in the Project Turnover Agreement.

NOTE 9 - LEASES

As mentioned in note 2r, commencing January 1, 2019, the Group adopted IFRS 16. This note relates to leases in which the Group is the lessee.

A. Right of use assets

	Balance at the start of the year	Cost Change during the year	Balance at year- end	Balance at the start of the year	Depreciation Change during the year	Balance at year- end	Net At year- end
U.S. dollars in thousands							
2020:							
Facilities	330	322	652	138	138	276	376
Vehicles	138	147	285	51	73	124	161
	468	469	937	189	211	400	537
2021:							
Facilities	652	9	661	276	120	396	265
Vehicles	285	504	789	124	172	296	493
	937	513	1,450	400	292	692	758

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 9 - LEASES (continued):

B. Lease liabilities

	Balance as of start of year	Change during the year	Interest expense	Lease payments	Year- end Balance	Current maturity of lease liability	Non- current lease liability
	U.S. dollars in thousands						
2020							
Facilities	224	322	10	(164)	392	146	246
Vehicles	75	133	26	(89)	145	71	74
	299	455	36	(253)	537	217	320
2021							
Facilities	392	2	14	(129)	279	65	214
Vehicles	145	459	27	(168)	463	237	226
	537	461	41	(297)	742	302	440

C. Lease agreements

- 1) The Company entered into an operating lease agreement for the Company's offices until December 31, 2020, with an option to extend for additional two years, which wasn't exercised. Monthly lease payment is approximately \$3 thousand.
- 2) In October 2020 the Company entered an operating lease agreement for the Company's offices starting January 1, 2021, until 31 December 2023 with an option to extend the term by two additional years. Monthly lease payment is approximately \$6 thousand.
- 3) The Company entered into an operating lease agreement for a research and development facility until September 30, 2020, with an option to extend for additional 11 months, which was exercised. Monthly lease payments are approximately \$10 thousands. The Company has a restricted deposit of \$20 thousand to secure the fulfillment of its obligations under the lease agreement.
- 4) The Company entered into operating lease agreements for its vehicles for periods of 32-36 months.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 10 - INTANGIBLE ASSETS

During May 2021, the Company began to capitalize development costs that incurred directly from a new product development process after the conditions for capitalizing intangible assets were met. These costs include labor costs, subcontractors, materials and technology, and amounted to approximately \$ 1,681,000 as of December 31, 2021. As of the date of approval of the financial statements, the development process has not yet been completed.

COST	U.S. dollars in thousands
BALANCE as of January 1, 2021	-
Capitalize development costs	1,681
BALANCE as of DECEMBER 31, 2021	1,681
 Accumulated depreciation	
BALANCE as of January 1, 2021	-
BALANCE as of DECEMBER 31, 2021	-
 Net book value of DECEMBER 31, 2021	 1,681

NOTE 11 - TAXES ON INCOME

a. Tax rates

The income of the Company is subject to the Israel corporate tax rates.

In December 2016, the Law for Change of National Priorities (Legislative Amendments for Achieving the Budgetary Goals for 2017-2019), 2016 came into effect, enacting, among other things, reducing the corporate tax in 2017 to 24% and in 2019 and thereafter to 23%.

b. The subsidiary is taxed under the Indian law. The tax rate for the subsidiary in India is 31.2%.

c. Carry forward tax losses

As of December 31, 2020, carry forward losses of the Company amounted to approximately \$43 million. Carry forward losses may be deductible against future taxable income. Management currently believes that it is more likely than not that the deferred tax regarding that carry forward losses will not be realized in the foreseeable future.

d. Taxes on income included in consolidated statement of operations:

	<u>2020</u>	<u>2019</u>
	<u>U.S. dollars in thousands</u>	
Current taxes	18	143

e. The difference between the theoretical taxes to the actual tax expenses in the reported period is due to carry forward losses of the Company for which the Company did not create deferred tax assets.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 11 - TAXES ON INCOME (continued):

f. Tax assessment

In accordance with the Income Tax Ordinance, as of December 31, 2019, all of the Company's tax assessments through tax year 2015 are considered final. The subsidiary in India has not yet been taxed since its inception.

g. Influence of IFRS adoption in Israel on taxes

The Company prepares its financial statements in accordance with IFRS.

IFRS standards are different from generally accepted accounting principles in Israel, and accordingly, preparing financial statements in accordance with IFRS standards may reflect a financial condition, results of operations and cash flows that are materially different from those presented according to generally accepted accounting principles in Israel.

In accordance with the provisions of law published in 2010, 2012 and 2014 (the "Temporary Provisions"), in determining the taxable income for the tax years 2007 to 2013, Accounting Standard No. 29 of the Israel Accounting Standards Board will not apply, even if applied in the financial statements for the aforesaid tax years. The meaning of the temporary provisions is that the IFRS standards will not apply in practice when calculating the reported profit for tax purposes in respect of the said tax years.

During 2014, a law memorandum was amended to amend the Income Tax Ordinance (the "law memorandum") resulting from the implementation of IFRS in financial statements. The law memorandum adopts the IFRS standards. At the same time, in accordance with the law memorandum, a number of amendments were proposed to the Income Tax Ordinance, which will clarify and determine how taxable income is calculated for tax purposes in cases where there is ambiguity and IFRS standards are inconsistent with Israeli tax system principles. Legislative proceedings regarding the law memorandum have not yet been completed and are unlikely to be completed in the near future.

Due to the non-completion of the legislative procedures regarding the law memorandum, the Company's management estimates that the temporary provisions set for 2007 to 2013 will eventually be extended to 2014 to 2020. As a result, the Company's management expects that the new legislation will not apply to tax years prior to 2021.

Taking into account the temporary provisions that apply to the tax years 2007 to 2013 and the Company's assessment regarding the possibility of extending them to the years 2014-2020, as stated above, the Company calculated its taxable income for the tax years 2008 to 2020 based on the Israeli accounting standard that existed on the eve of the adoption of IFRS in Israel, subject to certain adjustments.

h. Value added tax

The Company is registered for VAT purposes as an authorized dealer.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 12 – TRADE AND OTHER PAYABLES

a. Trade payables

	December 31	
	2021	2020
	U.S. dollars in thousands	
Open debt	642	229
Credit cards and checks due	19	105
	<u>661</u>	<u>334</u>

b. Other payables

	December 31	
	2021	2020
	U.S. dollars in thousands	
Employees and employees related	722	519
Provision for vacation and recreation	469	232
Accrued expenses and other	764	565
	<u>1,955</u>	<u>1,316</u>

The fair value of other payables approximates their carrying value, since they bear interest at rates close to the prevailing market rates.

NOTE 13 - COMMITMENTS:

- a.** The Company has contracted with a third-party manufacturer (the "Manufacturer") in a framework agreement for the manufacture, assembly and shipping of the robots ("Production agreement").

In accordance with the production agreement, starting March 31, 2020, the Manufacturer manages the purchase of the components from the subcontractors for the direct assembly of the Company's systems. The identity of the subcontractors is determined by the Company and the Manufacturer is not permitted to replace them without obtaining prior approval from the Company. The Manufacturer also undertook to deliver the robots ordered in each purchase order within 90 days of the order date (or within another period of time to be agreed by the parties), and in any case within a period not exceeding 120 days. The Manufacturer undertook to make changes or adjustments in the production of the robots in accordance with the Company's request. As may be required, following such changes, adjustments to the price and schedules in the agreement will be possible, as agreed between the parties. The Company pays the Manufacturer for the production and supply of the robots, per unit, an amount which includes the cost of the raw materials, labor costs and financing costs, with most of the consideration paid to the Manufacturer following delivery of the robots.

In accordance with the production agreement, in case of delays by the Manufacturer in the delivery of the robots to the Company, the Manufacturer shall be charged an agreed compensation which has been determined and the Company shall be entitled to terminate the agreement, to the extent that the delay extends beyond the period agreed by the parties.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 13 – COMMITMENTS (continued):

The warranty period for any product supplied to the Company by the Manufacturer is 24 months from the date of its delivery ("Warranty period"). In the event of a defect in a product within the warranty period, as specified in the production agreement, the Manufacturer is responsible for replacing the product at its own expense and delivering a replacement product within 7 days. At the end of the warranty period, any warranty provided by the subcontractors to the Manufacturer, and which is still in effect, shall be transferred in favor of the Company.

The production agreement is not limited to a specific period. The Company may terminate the contract in the production agreement at its discretion, at any time by written notice to the Manufacturer. In addition, the Company will be entitled to terminate the production agreement in the occurrence of certain events as defined in the agreement.

The Manufacturer has the right to terminate the production agreement by a 30-day prior written notice, in the event of any of the following: non-payment by the Company of amounts it is liable to under the agreement and which have not been paid within 60 days of the Manufacturer's notice of such non-payment, and an insolvency event of the Company.

- B.** In August 2013, the Company entered into an agreement with a third party, which is a customer of the Company in Israel, for the exclusive distribution and sale of its products and services in Israel, which will be performed solely through it (in this section: "Distributor" and "Agreement", respectively). In May 2016, the Company reached agreements with the distributor regarding the cancellation of the agreement, in which the Distributor's exclusive rights to sale and distribute the Company's products in Israel was revoked, and in return the Company undertook to pay the Distributor royalties amounting 10% of its annual revenue from sales in Israel (to customers other than the Distributor) until May 23, 2026. Furthermore, the Distributor will be entitled to royalties amounting 10% of the Company's annual revenue with respect to operating services from such sales, throughout the entire contract period with the customer (the "Royalties"). In addition, as part of the cancellation of the agreement, the Company is not allowed to enter into a distribution agreement for the sale of its products and services in Israel with another third party and committed that it would be carried out solely by the Company to the end customers. It should be noted that the royalties paid to the distributor for the years 2020 and 2019 amounted to approximately \$18 thousand and approximately \$162 thousand, respectively.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 14 - SHAREHOLDERS' EQUITY:

a. Share capital

	Authorized		Issued and outstanding	
	December 31		December 31	
	2021	2020	2021	2020
	Number of shares			
Ordinary shares NIS 0.0001 face value**	<u>500,000,000</u>	<u>500,000,000</u>	<u>98,047,710</u>	<u>97,715,710</u>

(*) Trading on the Tel Aviv Stock Exchange at NIS 3.516 (\$1.13) on December 31, 2021.

b. Initial Public Offering

On November 24, 2020, the Company shares listed on the Tel-Aviv Stock Exchange. The Company issued 22,410,000 ordinary shares with face value of NIS 0.0001 each, and 7,470,000 registered warrants, with NIS 0.0001 face value, for two years following issuance, such that each warrant can be redeemed into a registered ordinary share with NIS 0.0001 face value in exchange for a cash payment, at exercise, of NIS 21 (adjusted to the USD exchange rate). The gross proceeds of the issuance amounted to \$84,847 thousands. Issuance cost of \$1,982 thousands were deducted from the capital.

In addition, the Company listed for trading 75,305,678 Company registered ordinary shares with NIS 0.0001 face value which were part of its issued and outstanding capital (including shares issued as a result of converting preferred shares to ordinary shares ahead of the offering), and 6,378,400 Company ordinary shares with NIS 0.0001 face value that may result from the exercise (if it takes place) of 6,378,400 unlisted warrants allocated to employees and other parties.

Upon listing the Company's shares on the Tel Aviv Stock Exchange, all non-voting shares, A Preferred Shares, A2 Preferred Shares, A3 Preferred Shares, A4 Preferred Shares and A5 Preferred Shares (all together "Preferred Shares") were converted into Company ordinary shares based on the following ratios: (a) A Preferred Shares, A1 Preferred Shares, A2 Preferred Shares and A5 Preferred Shares were converted at a 1:1 ratio; (b) A3 Preferred Shares were converted at a ratio of 1 A3 Preferred Share to 1.4761 ordinary shares; (c) A4 Preferred Shares were converted at a ratio of 1 A4 Preferred Share to 1.7713 ordinary shares, such that following the conversion, all issued and outstanding shares became ordinary shares, and all warrants issued to employees, office holders, and Company advisors are convertible to ordinary shares only (hereinafter "Capital Simplification").

In addition, and in tandem with the Capital Simplification, Company shares were split such that each ordinary share with face value of NIS 0.01 was split into 100 ordinary shares with face value of NIS 0.0001 (hereinafter "Stock Split").

c. Rights Attached to Capital Share

The ordinary shares of the Company confer on their holders the right to attend and vote in shareholder meetings, with the holder of each share of face value NIS 0.0001 having one vote, the right to receive dividends and, if and when distributed, the right to receive preferred shares, and the right to receive a distribution of assets legally available for distribution to the shareholders upon a liquidation event.

ECOPPIA SCIENTIFIC LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 14 - SHAREHOLDERS' EQUITY (continued):

d. Options to employees

- a. In March-April 2020, the Company granted some employees, including the CEO, 3,053,600 options to purchase Company shares (see also note 23). Each option can be used to purchase one ordinary share in exchange for \$0.5534-\$0.5849. The options vest over 3 years from the date of grant and expire after 10 years. The fair value of the options calculated according to the Black & Scholes model at the date of grant was \$1,123 thousands, based on the following assumptions: expected dividend rate of 0%, expected volatility of 60%, risk-free interest rate of 0.27% and 2.75 years expected term.
- b. In August 2020, the Company granted options to purchase 483,000 shares to certain employees, with an exercise price of \$0.5849 . The options vest over 3 years from the date of grant and expire after 10 years. The fair value of the options calculated according to the Black & Scholes model at the date of grant was \$1,557 thousands, based on the following assumptions: expected dividend rate of 0%, expected volatility of 60%, risk-free interest rate of 0.27% and 5.87 years expected term.
- c. In September 2020, the Company granted options to purchase 300,000 shares to certain employees, with an exercise price of \$0.5849. The options vest over 3 years from the date of grant and expire after 10 years. The fair value of the options calculated according to the Black & Scholes model at the date of grant was \$967 thousands, based on the following assumptions: expected dividend rate of 0%, expected volatility of 60%, risk-free interest rate of 0.27% and 5.87 years expected term.
- d. In November 2020, a consultant for the Company was awarded options to purchase 50,000 shares with an exercise price of \$1.5838. The options vest over 2 years from the date of grant and expire after 5 years.
- e. In November 2020, a consultant of the Company was awarded options to purchase 17,800 shares with an exercise price of the par value of the shares of NIS 0.0001 . The options vested immediately upon grant and expire after 10 years.
- f. In August-October 2021, the Company granted options to purchase 310,000 shares to certain employees, with an exercise price of \$1.46. The options vest over 3 years from the date of grant and expire after 10 years. The fair value of the options calculated according to the Black & Scholes model at the date of grant was \$260 thousands, based on the following assumptions: expected dividend rate of 0%, expected volatility of 58%, risk-free interest rate of 0.4%-0.66% and 5.5-6.5 years expected term.
- g. In December 2021, the Company granted options to purchase 345,350 shares to certain employees, with an exercise price of \$1.19. The options vest over 3 years from the date of grant and expire after 10 years. The fair value of the options calculated according to the Black & Scholes model at the date of grant was \$182 thousands, based on the following assumptions: expected dividend rate of 0%, expected volatility of 58%, risk-free interest rate of 0.56%-0.7% and 5.5-6.5 years expected term.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 14 - SHAREHOLDERS' EQUITY (continued):

h. Changes in the number of options and weighted average exercise prices are as follows:

	Year ended December 31,			
	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	4,859,450	\$0.5424	1,495,050	\$0.3623
Granted	655,350	\$1.3519	3,904,400	\$0.5631
Forfeited and Expired	(181,000)	\$0.5849	(200,000)	\$0.5849
Exercised*	<u>(331,300)</u>	<u>\$0.9069</u>	<u>(340,000)</u>	<u>\$0.1776</u>
Outstanding at end of year	<u>5,002,500</u>	<u>\$0.5819</u>	<u>4,859,450</u>	<u>\$0.5424</u>
Exercisable at end of year	<u>2,809,849</u>	<u>\$0.4869</u>	<u>1,172,900</u>	<u>\$0.4373</u>

(*) Options exercised in 2021 at a ratio of 1:1 to ordinary shares. Average strike price of \$0.9069. The total proceeds from the exercise were \$267 thousand. Options exercised in 2020 at a ratio of 1:1 to ordinary shares. Average strike price of \$0.17663. The total proceeds from the exercise were \$60 thousand.

i. The following is information about the exercise price and remaining contractual life of outstanding options at year-end:

December 31, 2021			*December 31, 2020		
Number of options outstanding at end of year	Exercise price	Weighted average of remaining contractual life	Number of options outstanding at end of year	Exercise price	Weighted average of remaining contractual life
817,800	\$0.1776	5.91	758,355	\$0.1776	4.28
2,653,600	\$0.5534	9.23	2,653,600	\$0.5534	9.23
1,000,800	\$0.5849	9.42	815,345	\$0.5849	8.39
300,000	\$1.0979	6.09	69,900	\$1.0979	6.76
50,000	\$1.5838	9.87	50,000	\$1.5838	8.87
			310,000	\$1.4600	9.71
			345,350	\$1.1865	9.99

j. The options granted to employees are subject to the terms stipulated by section 102(b)(2) of the Israeli Income Tax Ordinance (the "Ordinance"). According to these provisions, the Company will not be allowed to claim as an expense for tax purposes the amounts credited to the employees as a capital gain benefit in respect of the options granted.

Options not under the terms of section 102 of the ordinance are governed by Section 3(i) of the Ordinance.

k. Share based compensation for the years 2021 and 2020 to employees and service providers were \$1,738 thousand and \$1,070 thousand, respectively.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 15 – REVENUES

a. Revenue composition:

	<u>2021</u>	<u>2020</u>
	<u>U.S. dollars in thousands</u>	
Revenue from sales of robotic systems	4,681	2,066
Revenue from maintenance services	<u>1,224</u>	<u>966</u>
	<u>5,905</u>	<u>3,032</u>

b. Additional information:

The Company is resident in Israel. The following table summarized the Company's disaggregation of revenues according to geographical location:

	<u>2021</u>	<u>2020</u>
	<u>U.S. dollars in thousands</u>	
Israel	450	420
India	<u>5,331</u>	<u>2,499</u>
Other	<u>124</u>	<u>113</u>
	<u>5,905</u>	<u>3,032</u>

The following table summarized the Company's non-current assets except for deferred tax assets disaggregated according to geographical location of the costumers:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>U.S. dollars in thousands</u>	
Israel	3,709	1,207
India	<u>324</u>	<u>903</u>
	<u>4,033</u>	<u>2,110</u>

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 16 – COST OF SALES

	2021	2020
	U.S. dollars in thousands	
Cost of production and components	3,189	1,715
Payroll and related expenses	101	69
Depreciation	-	233
Freight and Transportation	81	112
Impairment	747	-
Others	97	117
	<u>4,215</u>	<u>2,246</u>

NOTE 17 – RESEARCH AND DEVELOPMENT

	2021	2020
	U.S. dollars in thousands	
Payroll and related expenses	5,562	3,560
Subcontractors and Professional fees	757	649
Rent and related expenses	447	318
Depreciation	396	251
Share based compensation	713	459
Refreshments and meals	299	173
Other	400	373
	<u>8,574</u>	<u>5,783</u>

NOTE 18 – SALES AND MARKETING

	2021	2020
	U.S. dollars in thousands	
Payroll and related expenses	672	432
Professional services	771	143
Office	46	28
Depreciation	4	9
Share based compensation	462	76
Other	7	14
	<u>1,962</u>	<u>702</u>

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 19 – GENERAL AND ADMINISTRATIVE

	2021	2020
	U.S. dollars in thousands	
Payroll and related expenses	1,624	1,250
Professional services	1,716	1,105
Intellectual Property	289	173
Depreciation	113	54
Rent and related expenses	346	221
Share based compensation	560	534
Other	54	85
	4,702	3,422

NOTE 20 – FINANCIAL (INCOME) EXPENSES

	2021	2020
	U.S. dollars in thousands	
Financial expenses:		
Financial expenses due to option valuation	-	10,146
Lease liability interest	41	36
Bank commissions and others	156	936
Total financial expenses	197	11,118
Financial income:		
Exchange rate differences	(418)	(1,250)
Interest from deposits and others	(181)	(119)
Total financial income	(599)	(1,369)
Financial (income) expenses, net:	(102)	9,749

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 21 – BASIC AND DILUTED LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the result attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2021	2020
	U.S. dollars in thousand (except for share numbers)	
Loss for the year	13,180	18,888
Annual preferred share preference	-	1,972
Loss attributable to ordinary shareholders of the Company	<u>13,180</u>	<u>20,860</u>
Weighted average number of ordinary shares and non-voting ordinary shares used	97,657,680	41,226,950
Basic loss per ordinary share	<u>\$0.13</u>	<u>\$0.51</u>

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year and including all potential ordinary shares with a dilutive effect. The diluted loss per share for the reported periods is equal to the basic loss per share as the effect of potential ordinary shares is anti-dilutive.

NOTE 22 – LOANS

On February 27, 2020, the Company entered into a credit agreement with a financial entity (the "Lender"), according to which the Lender would provide the Company with a credit facility totaling 31 million NIS for a period of approximately 6 years (the "Loan Agreement"). According to the loan agreement, the Company was given the option to withdraw the loan monies in two parts: the first part totaling approx. 20.7 million NIS within 10 days of the date of completion of the agreement, and the second part totaling approx. 10.3 million NIS which would be made available to the Company within 20 months of the said first part being made available. As of the repayment date of the credit granted by the lender (as detailed above), the Company has utilized a total of approx. 20.7 million NIS of the credit facility. Pursuant to the loan agreement, the loan bore annual interest at the prime rate (which shall not be lower than 1.5%) plus 6.25% which will be paid quarterly, in addition to commissions and additional payments to which the lender was entitled, as follows:

- 1) Upon completion of the first part of the loan agreement, the Company will pay a one-time fee at the rate of 1% of the total loan amount.
- 2) During the term of the agreement the Company will pay a commission of 0.5% per annum in respect of loan amounts that have not been utilized out of the credit facility.
- 3) Commencing at the completion of the first part, the lender will be entitled to an additional commission amounting to 2.4% of the increase of quarterly sales in relation to the initial sales as defined in the agreement.

The repayment of the loan principal will commence within 2 years of the date of the loan in quarterly installments. The Company has the right to an early voluntary repayment of the loan subject to the terms set forth in the loan agreement.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 22 – LOANS (continued)

In addition, in accordance with the provisions of the loan agreement, in the event of a breach (as defined in the loan agreement, including breach of the Company's obligation to pay the amounts arising from the agreement, failure to comply with financial covenants, insolvency events and legal proceedings that affect or materially adversely affect the Company), the lender has the right, inter alia, to put the loan up for immediate repayment. Moreover, the loan agreement includes a mechanism for raising interest on the balance of the debt to the extent that financial covenants are breached, as well as in the event of non-compliance with one of the payments due to the lender by the Company.

The loan agreement included a number of restrictions on the Company, including (a) Restrictions on entering into agreements with parties related to the Company (as defined in the loan agreement); (B) Restrictions on the permitted use of the loan funds for specific purposes; (C) Restrictions on making a distribution (as per the term's definition in the loan agreement); (D) Restrictions on modifications in the Company's incorporation documents; (E) Restrictions on the granting of loans not during the Company's ordinary course of business and without the lender's consent; (F) Restrictions on the voluntary initiating of liquidation proceedings and insolvency proceedings by the Company without the lender's consent.

It should be noted that upon the occurrence of a capital event (as defined in the loan agreement, including issuance of shares to the public for the first time) prior to the last payment date of the loan, and regardless of early voluntary repayment of the loan, as stated above, the loan agreement states that the lender shall be granted the right to a cash payment, reflecting an amount to which a holder of 6,830 warrants of the Company's ordinary shares (683,000 after Stock Split, see note 13c) would be entitled to at an exercise price of \$158.49 (\$1.5849 after Stock Split), all subject to the provisions and amounts specified in the loan agreement.

As part of the loan agreement, the Company undertook to satisfy certain financial covenants, and issued certain securities to the Lender.

Accounting Treatment:

The net proceeds received from the lender was split, for accounting purposes, to warrants, which are treated as financial obligations at fair value through profit or loss, assessed based on their fair value at each reporting date, with changes to value recognized as current profit or loss, and a loan component which was initially recognized based on fair value (the balance of the proceeds not attributable to the warrants) net of associated transaction costs and treated based on depreciated cost (using implied effective interest calculated on the date of issuance as above). Associated transaction costs were split between the various components in proportion to their recognized amounts before cost, with transaction costs associated with the warrants being immediately recognized as loss.

The fair value of the warrants as of 31 December 2020 and, 27 February 2020 was \$1,442 thousand and \$96 thousand respectively.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 22 – LOANS (continued)

The fair value of the warrants as of 27 February 2020 was calculated based on the Company valuation and forecasted share price given an initial public offering. The calculation was based on a Monte-Carlo simulation using the following parameters:

	February 27, 2020
Forecasted Period	3
Volatility	60%
Risk-free interest rate	1.575%
Dividend Rate	0

On 30 September 2020, the Company paid the loan in cash, including an early repayment penalty of \$347 thousands.

With the initial public offering, the Company's commitments due to warrants is estimated to be worth \$1,442 thousands. On 8 January 2021, the company paid the lender, in cash, \$1,442 thousand for the warrants.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 23 - RELATED PARTIES - TRANSACTIONS AND BALANCES:

“Interested parties” - are defined in the Securities Regulations (Annual Financial Statements) – 2010.
“Related Party” – as this term is defined in Standard IAS 24 – “Disclosures in connection with a Related Party”.

Key management personnel of the Company – including, together with other factors in the definition of “related parties” in accordance with IAS 24) members of the Board of Directors and the Company’s CEO.

In April 2020, the Company’s CEO from its founding and until that date, was replaced and nominated as Chairman of the Board on a full-time basis. In exchange for his employment, the Chairman is entitled to a monthly pay of NIS 40,000 before tax, reflecting monthly cost of NIS 50,000 to the Company. According to his employment agreement, in addition to the pay above, the Chairman is entitled to the following benefits: company car, at cost, including any tax liabilities associated with the benefit, mobile phone, 20-day annual leave, statutory sick pay, pension, management insurance and provident fund [בִּיטוּחַ מְנַהֵלִים; וְקֶרֶן הַשְּׁתַלְמוֹת]. The parties agreed on a 60-day notice period. The agreement includes confidentiality and a non-compete for six months following termination of the agreement.

In April 2020, a new full-time CEO was nominated starting 1 April 2020. In exchange for his employment, the CEO is entitled to a monthly pay of NIS 70,000 before tax, reflecting monthly cost of NIS 126,000 to the Company. Following the initial public offering, and according to the agreement, the CEO’s pay was updated to NIS 95,000 before tax, reflecting monthly cost of NIS 138,000 to the Company. According to his employment agreement, in addition to the pay above, the CEO is entitled to the following benefits: company car, at cost, including any tax liabilities associated with the benefit, mobile phone, 24 days annual leave, statutory sick pay, pension, management insurance and provident fund. In addition, and according to the terms of his employment, the CEO is entitled to an annual bonus, in accordance with a schedule of measurable goals to be determined in advance for each calendar year by the compensation committee of the board of directors. In the financial report for 31 December 2020, the Company included \$250 thousand in expenses for bonus to the CEO for meeting the goal of the initial public offering. Meeting all the goals set will entitle the CEO, for the financial year 2020, to a bonus of no less than 4 month’s pay, but following an acquisition or public offering, and starting from the date of such acquisition or offering, (in following year, and pro-rata for that year) annual bonus will be no less than 9 month’s pay.

The parties agreed on a 90-day notice period. The CEO will be entitled to a severance pay of 3 month’s pay. The agreement includes confidentiality and a non-compete for six months following termination of the agreement.

On April 1, 2020, (“Grant Date”), the CEO was granted 26,536 options (2,653,600 following the Stock Split, see note 14b) in accordance with the Company’s option plan.

ECOPPIA SCIENTIFIC LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 23 - RELATED PARTIES - TRANSACTIONS AND BALANCES (continued):

a. Transactions with related parties:

	December 31,	
	2021	2020
	U.S. dollars in thousands	
Compensation for Chairman, who is a related party (*)	<u>191</u>	<u>177</u>
Compensation for CEO	<u>839</u>	<u>1,016</u>

(*) Served as CEO until March 31, 2020

b. Balances with related parties:

	December 31,	
	2021	2020
	U.S. dollars in thousands	
Employees and employees related	<u>93</u>	<u>72</u>

NOTE 24 - SUBSEQUENT EVENTS

In February 2022, the Company granted options to purchase 261,750 shares to certain employees, with an exercise price of \$1.169 and 180,000 shares with an exercise price of \$0.99. The options vest over 3 years from the date of grant and expire after 10 years. The fair value of the options calculated according to the Black & Scholes model at the date of grant was \$132 thousands.

Chapter D

Additional Information regarding the Corporation





Additional Information regarding the Corporation

Regulation 25A: Company Information

<u>Name of company</u>	<u>Ecoppia Scientific Ltd.</u>
<u>Company no.</u>	<u>514856772</u>
<u>Date of the company's financial report</u>	<u>December 31, 2021</u>
<u>Email</u>	<u>info@ecoppia.com</u>
<u>Registered location in Israel</u>	<u>4 Habarzel St. Tel Aviv</u>
<u>Tel.</u>	<u>09-8917000</u>
<u>Fax</u>	<u>09-8917001</u>

Regulation 9B- Report regarding the effectivity of the internal supervision of the financial reporting and disclosure

1. In accordance with regulation 5(2) of the Securities Regulations (reports of a corporation whose shares are included in the TA Tech Elite index), 2016 ("Tech Elite Regulations"), determining that in the easing period, as defined in the Tech Elite regulations, regulation 5(2)(d) of the securities regulations (periodical and immediate reports), 1970 ("report regulations")' the company is exempted from attaching a report regarding the effectivity of the internal supervision of the financial reporting and the disclosure (as determined in regulation 9(2) (d).
2. In addition, in accordance with the provisions of regulation 5 (2) (c1) of the report regulations, the company is exempted from attaching a report of the supervising accountant regarding the effectivity of the internal supervision of the financial reports for a period of five (5) years from the time it became a reporting company (except for certain cases determined in that regulation).

Regulation 9D : Report of the list of undertakings, according to their payment dates

A report of the list of undertakings, according to their payment dates, is attached in the form of a reference to an electronic report (form T126) submitted with this report.

Regulation 10A: Extract of reports of the quarterly profit

	For the year that ended on December 31 2021	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	5,905	379	1,577	352	3,597
Cost of revenue	4,215	795	1,771	230	1,419
Research and development expenses, net	8,574	2,169	1,854	2,321	2,230
Management and general expenses	4,702	1,385	1,106	1,169	1,042



Sales and marketing expenses	1,962	407	510	550	495
Operational Loss	13,548	4,377	3,664	3,918	1,589
Financing expenses (revenue), net	(402)	73	(90)	59	(444)
Tax on revenue	34	0	10	3	21
Loss for period	13,180	4,450	3,584	3,980	1,166

Regulation 10C: Use of the return from securities while referring to the target return according to the prospectus

In November 2020 the company completed the first issuing of its securities in the Tel Aviv Stock Exchange Ltd. ("**the issuing**") according to the completing prospectus and the shelf prospectus on November 23, 2020¹. In the framework of the prospectus, the company issued 22,410,000 regular shares of the company to the public, with a face value of 0.0001 NIS each ("**regular shares**") and 7,470,000 options (series 1) that can be realized as regular shares, as detailed in the prospectus. The overall return (gross) the company received for the aforementioned issue, reached the sum of 282 million NIS.

In the prospectus, it was determined, that the company designates the return of the issuing for financing its business activity as will be decided by the company management from time to time, while the company intends to use the return from the issuing, amongst other things, to provide financing solutions for potential customers, developing the company's research and development activity and realizing opportunities to purchase companies or technologies that integrate with its business strategy.

As of the date this report is released, the company used part of the considerations from the issuing for the company's current activity and for the Company's research and development activities, including development of the new H4 robotic system as detailed in Section 16 of Chapter A above.

Regulation 11: List of investments in subsidiary companies and associate companies

	Name of company	Type of shares	Their value in the company's separate financial report dated 31.12. 2021 (in thousands of dollars)	Percentage of holding of property, voting and authority to appoint directors	Balance in financial report dated 31.12. 2021 (in thousands of dollars)
1	Ecoppia India	Regular shares	7,221	99.99%	154
2	Evermore United	Regular shares	-	100%	-

Regulation 12: Modifications in investments in subsidiaries and Associate companies

During the report period, the company did not make any material investments in subsidiaries or affiliates.

¹ Reference No 2020-01-117304



Regulation 13: Profits of Subsidiaries and Associate Companies

	Name of company	Profit (loss)	Profit (loss) including other	In the period of the report			From the date of the report until it is published		
				Dividend	Management fee	Interest	Dividend	Management fee	Interest
1	Ecoppia India	243	243	-	-	-	-	-	-
2	Evermore United	-	-	-	-	-	-	-	-

For further information regarding the subsidiary companies, see section 29 in chapter A above.

Regulation 20: Stock market exchange- securities registered for trading

For information regarding the issuing of company securities to the public and registering them for trade, in the course of 2020, see regulation 10c above.

Regulation 21: Compensation and Benefits to interested parties and senior position holders

Below are the details of the compensation and benefit paid in 2021 (in thousands of dollars, in terms of annual cost), to the five highest paid employees amongst the senior managers in the company or in a company under its control (including at least three who hold senior positions in the company itself) as recognized in the company's financial reports², with the payment made for their service in the company or a company under its control.

Details of payment recipient				Payment for services							Total
Name	Position	Full/part time	Rate of holding of company capital at the end of the period	Pay	Bonus	Share based payment	Management fee	Consultation fee	commission	Other	
Jean Scemama	CEO	100%		513	-	326	-	-	-	-	839
Ido Molad	VP R&D	100%	-	203	-	376	-	-	-	-	579
Oscar Aira	VP Sales	100%	-	102	-	307	-	-	-	-	409
Nalin Sharma	VP Asia	100%	-	170	-	143	-	-	-	-	313
Arieh Lumalsky	VP Finance	100%	-	157	35	94	-	-	-	-	286

(1) Mr. Jean Scemama, CEO

Mr. Jean Scemama ("Mr. Scemama") has acted as the company CEO, full time (100%), as of March 23, 2020. From the date of the IPO and during 2021, Mr. Scemama's salary is 95,000 NIS, which reflects a monthly cost of NIS 138,000 for the company. According to his employment contract, in addition to his monthly salary,

² Payment to employees in Israel is in NIS and payment to employees in India is paid in Indian Rupees. The amounts are converted into dollars according to the average exchange rate in the relevant period.



Mr. Scemama will receive the following: a company car- with the company covering the cost of the car, including the tax value of the use of the car; mobile phone expenses; 24 days of vacation per year; sick leave and convalescence as required by law; pension payments and management insurance; and a study fund.

In addition, Mr. Scemama will receive a yearly bonus, according to the company's compensation and benefit policy and the objective plan, determined every calendar year in advance by the Compensation and Benefit Committee and the Directorate. The yearly bonus for the year 2021 consists of three objectives, while the examination of meeting each one is done separately, as detailed below:

1. Sales objective: If the company reaches the target it set at 16.5 million dollars, the CEO will be entitled to a bonus due to this component, of the sum of 3 monthly salaries ("**sales objective bonus**"). The sales turnover objective includes a precondition according to which, should the company exceed the minimum objective of 13.2 million dollars, the CEO will receive the relative part of the sales objective bonus, according to the equation determined in the employment agreement. In 2021 this objective was not achieved.
2. Booking objective: If the company reaches the target objective it set for Booking of 6,000 MV- the CEO will be entitled to a bonus due to this component of the sum of 3 monthly salaries ("**Booking target bonus**"). The Booking target includes a threshold condition pursuant to which, should the company surpass the minimum Booking target at a level of MW 4,800 the CEO will receive a proportionate share in the orders target bonus, pursuant to the equation established in the employment agreement. In 2021, this objective was not achieved.
3. Acquisition target: Providing that the Company completes an acquisition transaction as defined in the acquisition agreement of another company up to December 31, 2021 and Mr. Scemama continues to serve as CEO of the Company until the aforementioned acquisition date, the CEO will be entitled due to this component in the sum of 3 monthly salaries. This target in 2021, was not attained. The parties agreed on a 90 day advance notice period. Mr. Scemama will be entitled to a severance package of 3 monthly salaries (subject to the agreement). The parties also agreed in the agreement to maintain confidentiality and non-competition for 6 months after the termination of employment.

Pursuant to a decision of the Remunerations Committee and the Company Board of Directors dated February 20, 2022, meeting the targets set for 2022 will entitle the CEO to an annual bonus of up to 9 monthly salaries. At the time this report is released, Mr. Scemama has 2,653,600 options that can be converted into 2,653,600 regular shares, of which 1,542,405 options that have not yet matured as at the date of the report.

(2) Mr. Ido Molad VP Research and Development

Mr. Ido Molad ("**Mr. Molad**") has acted as VP Research and Development (VP R&D) full time (100%), since 20 September 15, 2000. As consideration for his employment by the company, Mr. Molad is entitled to a monthly salary of 42,000 NIS (gross), costing the company 54,000 NIS a month. According to his employment agreement, in addition to his monthly salary, Mr. Molad is entitled to the following terms: a company car- with the company covering the costs of the car; mobile phone expenses; 23 days of vacation per year; sick leave and convalescence as required by



law; pension payments and management insurance; and a study fund. The parties agreed to an advance notification of 30 days. The agreement includes committing to maintaining confidentiality and non-competition for six months after termination of employment.

At the time this report is released, Mr. Molad has 200,000 exercisable options, that can be converted to 200,000 regular shares, of which 82,750 that had matured at the time this report is released.

(3) Mr. Nalin Kumar Sharma, VP Asia & Pacific's

Mr. Nalin Kumar Sharma ("**Mr. Sharma**") has been employed by Eccopia India as VP Asia & Pacific's in a full-time position (100%) since April 1, 2017 at the company's offices in New Delhi, India. In consideration for his employment by the company, Mr. Sharma is entitled to a gross monthly salary of 916,666 Indian rupees (NIS 42,700), which reflects a monthly cost of NIS 45,000 for the company pursuant to his employment agreement, Mr. Sharma will provide Eccopia India with the following services: developing business connections to promote the company's products; executing business development activities, including participation in conferences, events and webinars; presenting potential customers; recruiting and managing employees; providing services to Eccopia India relating to the company's strategies in India. In addition to his monthly salary, Mr. Sharma will be entitled to an annual bonus, to be established pursuant to complying with targets as agreed upon at the beginning of each year between the Board of Directors and Mr. Sharma. An advance notice period of 30 days has been established between the parties. A commitment to confidentiality and a non-competition condition for 6 months after terminating employment have been established in the agreement. The employment agreement includes an indemnification stipulation for Mr. Sharma, for damages or losses caused to him in the framework of his employment. As at the date of the report, Mr. Sharma holds 80,000 options exercisable into 80,000 ordinary shares, of which 33,100 options have matured as at the date of the report.

(4) Arie Lumelsky VP Finance

Mr. Arie Lumelsky ("**Mr. Lumelsky**") has acted as the VP Finance full time (100%) since February 4, 2018. In consideration for his employment by the company, Mr. Lumelsky is entitled to a gross monthly salary of 34,000 NIS (including overtime), which reflects a monthly cost of NIS 43,000 to the Company. According to his employment agreement, in addition to his monthly salary, Mr. Lumelsky is entitled to the following terms: mobile phone expenses; 23 days of vacation per year; sick leave and convalescence as required by law; pension payments and management insurance; and a study fund. The parties agreed to an advance notification of 30 days. The agreement includes committing to maintaining confidentiality and non competition for six months after termination of employment. On February 16, 2021 and on March 22, 2021 the compensation committee and the Board of Directors, respectively approved granting Mr. Lumelsky a bonus of 100,000 NIS and raising Mr. Lumelsky's monthly salary from NIS 28,000 to 34,000 NIS.



At the time this report is released, Mr. Lumelsky has 100,000 exercisable options that can be converted to 100,000 regular shares, of which 70,88 are options that had matured at the time this report is released.

(5) **Oscar Aira, VP Sales**

Mr. Oscar Aira ("Mr. Aira") has served as the company's VP sales as of February 17, 2020. Pursuant to a consultation and services agreement that was signed between Mr. Aira and the company, Mr. Aira will provide the company with sales and marketing services for its products and, in consideration for his services, Mr. Aira will be entitled to an annual remuneration of €102,000 as well as 21-days annual leave. The parties have established an advance notification period of 3 months. A commitment to confidentiality and a non-competition stipulation for 12 months after termination of employment have been established in the agreement. Mr. Aira is entitled to an annual sales bonus, pursuant to the volume of the company's orders, when, for 2021 Mr. Aira was not entitled to a bonus.

As of October 31, 2021, Mr. Aira ceased serving as VP sales of the company. As at the report date, Mr. Aira holds 66,000 options exercisable into 66,000 ordinary shares.

(6) From the date the company shares are registered for stock exchange and according to the company's compensation and benefit policy, the Company Directorate will be entitled to a yearly benefit and a participation benefit according to the sum determined in the company regulations (rules regarding benefits and expenses to an external Director) 2000 ("**Benefit regulations**") or according to the provisions of any other law that will add to and/or replace these regulations and according to the company's capital ranking (as defined in the benefit regulations), as will be determined from time to time. The Directors are entitled to full reimbursement of reasonable expenses they spent for participating in the Directorate meetings and its committees, or in the framework of their position as Directors. The directors' remuneration and incidental expenses paid by the company to the directors for 2021 amounted to \$142,000.

(7) After December 31, 2021 and until the date the report was submitted, no benefits were granted to the senior position holders mentioned above, regarding their employment in 2021, not acknowledged in the 2021 financial reports.

Regulation 21A: Control of the Corporation

As of the date of the report, the company does not have a holder of controlling interests. To the best knowledge of the company, no individual or entity holds half or more of the voting rights in the company's General Assembly or the rights to appoint Directors to the Company Directorate, or the right to appoint the Company's CEO and therefore there is no holder of controlling interests. It should be stated that to the Company's best knowledge, as of the date of the report, there are no voting agreements between Company shareholders.

Regulation 22: Transactions with interested parties

During the report period, there were no transactions between the Company and interested parties or transactions in which the interested parties in the Company have personal interest in their approval.



Regulation 24: Holders of controlling interests and senior positions in the corporation

For a list of the holders of controlling interests and senior positions, to the best of the company's knowledge, directly and indirectly holding shares and other company securities, see the immediate report of the company dated January 5th, 2021³. To the best of the company's knowledge, the date in the immediate report is also true to the date of the releasing of the periodic report.

Regulation 24a: Registered capital, issued capital and convertible securities

For information regarding the registered capital and the issued and redeemed company capital, see clarification 13 of the company's financial reports, dated December 31, 2021, attached to this report.

Regulation 24b: Shareholder's Register

For the company's shareholder's register, see the company's immediate report dated January 5th, 2021⁴.

Regulation 26: The Corporation Directorate⁵

Name:	Eran Meller	Oren Rozenbach	Guy Asher Harmelin	Oilan Tang	Avraham Shemesh	Adina Eckstein	Tal Yaron Eldar
Position:	Directorate Chairman	Director	Director	Director	Director	External Director	External Director
ID/Passport no.	028650091	034408211	03581283	574453567 (US Passport)	21097992 (Israeli passport)	313968125	058422734
Date of birth	March 11 th , 1971	March 3 rd , 1978	December 14 th , 1978	October 19, 2018	January 30 th , 1962	August 17 th , 1984	October 15 th , 1963
Address for receiving court documents	11 Neve Zedek St. Tel Aviv	10 Haoranim St, Kfar Shmaryahu	6 Hatamar St, Rishpon	Bollinger Dr., Pacific Palisades CA 90272, USA	4700 Wilshire Blvd. Los Angeles Ca 90010	41 Hasharon St, Even Yehuda	3 Heartglass St. Tel Aviv
Citizenship	Israeli	Israeli	Israeli	American	Israeli, American	Israeli	Israeli
Date of commencing position on Directorate:	January 7 th , 2013	August 26 th , 2013	November 22 nd , 2017	2021November 8	July 13 th , 2020	February 11 th , 2021	February 11 th , 2021
Member of Directorate committee	Investments Committee	Audit Committee	Investments Committee	Remunerations Committee	Investments Committee	Audit Committee and Compensation Committee	Audit Committee and Compensation Committee
Independent Director, external Director or external expert Director	no	no	no	no	no	yes	Yes
Does the company consider him an accounting	yes	no	no	No	no	no	yes

³ Reference no. 2022-01-002137.

⁴ Reference no. 2022-01-002137

⁵ On February 11th, 2021 the appointing of Ms. Adina Eckstein and Ms. Tal Yaron-Eldar was approved. For details, see section 3.3 of the Directorate report attached as chapter B below.



and financial expert							
Does the company consider him professionally fit	yes	yes	yes	yes	yes	yes	Yes
The Director is an employee of the corporation, of a subsidiary or a related company or of an interested party	Yes, acts as the Chairman of the Company's Directorate	Acts as Director at Ecoppia Scientific LLP (partnership in full ownership of the company coordinating the group's activity in India)	Alternative Investments VP at Harel Insurance Company Ltd.	Manager in the infrastructures field in the Investments Group of CIM	Partner and founder and member of the CIM investment and asset management committees	no	no
Education	BA in Economics and Management at the Technion. MA in Business Administration and Public Relations at Columbia University in the US.	LL.B law degree, BA in Management; MA in Philosophy at Tel Aviv University	M.D. in Medicine from Florence University, Italy.	B.S. in Economics from Yale University in	--	BA in Economics from the Hebrew University; MBA form Tel Aviv University.	LL.B. in Law, BA in Management, MA in Philosophy at the Tel Aviv University.
Position in last 5 years	Company CEO	Salaried employee at Global Village Consulting Ltd. Owner of the De-Dez Ltd. company	VP of alternative investments at Harel Insurance Ltd.	Manager in the infrastructures field in the Investments Group of CIM	Partner and founder and member of investments and asst management committees at CIM.	Operations Manager at Lemonade Ltd.; Operations Manager at HSBC.	Directing Partner at the Yaron-Eldar, Peller, Schwartz et al law firm.
Corporations in which served as Director	-	Idomoo; Cyber Observer Altris Ltd; De - Gez Ltd Sightx	Tsumego Ltd; Biond Biologics Ltd; QM technologies Inc; Ein Tal Ltd; Ein Tal Hadassah Ltd; Tabit Technologies Ltd; Oxford Nanopore Technologies Ltd	Yale China Association Board of Trustees	SkyPower and its subsidiaries	--	Tadea Automation and Technology Development Ltd.
Family relation to other interested party	Yes, son of Moshe Meller (company shareholder)	Son in law of Shaul Shani, company shareholder	--	--	--	--	--



Regulation 26a: Senior position holders in the company

Name	Jean Salomon Scemama	Eran Dgani	Nalin Sharma	Ido Molad	Anat Segev Cohen	Ziv Ramati Miller	Arye Lumelsky	David Gur	Nurit Landau Sabag	Jose Carlos Montoro Sanchez	Doron Rosenblum
Position	CEO	COO	VP Asia, employed by Ecoppia India	VP Research and Development	VP Marketing	VP Technology	VP Finance	Product VP	HR Director	General Manager EAA	Internal Auditor
ID no.	015210792	023073596	K8662110	32820938	033370099	021801766	306004078	022200448	24343410	XDD 753081	024850406
Date of birth	June 19, 1970	November 14, 1967	July 5, 1983	August 3, 1978	December 18, 1976	June 27, 1983	February 23, 1985	November 10, 1965	May 22, 1969	February 3, 1979	February 12, 1970
Commencing date	April 1, 2020	December 4, 2016	April 1, 2017	September 15, 2020	January 1, 2014	March 1, 2020	February 4, 2018	March 22, 2021	March 22, 2022	March 6, 2022	March 22, 2021
Education	BA in Accounting and Economics from the Tel Aviv University. MBA from Insead University, Fontainebleau France.	BA in Chemistry and Computers from the Open University; Mechanical Engineering diploma from Berufsakademie University in Stuttgart, Germany.	B.Tech in Mechanical Engineering from BHU Varanasi, India; MBA from Hyderabad University.	B.Sc. in Electrical Engineering from the Technion; BA in Physics from the Technion; MBA from the Haifa University.	BA in Design from Bezalel Art and Design Academy.	Undergraduate degree (BSC) in Software Engineering (electricity Engineering, computer sciences) from the Tel Aviv University	BA in Accounting and Economics from the Ben Gurion University. MA in Law from Bar Ilan University.	BA in Mechanical Engineering from Ben Gurion University; MBA from Ben Gurion University.	Hotel and Tourism Administration, Hilton London	Industrial engineering from the Austral University. BsAs Argentina electric; market- LT B.A. Argentina Project Management – San Andrews Business School BsAs Argentina PDD-IAF Business School Executive Program in Renewable Hydrogen-ECI Spain;	Undergraduate (BA) degree in accountancy from the College of Administration and an MBA from the Kiryat Ono College
Position in last 5 years	CEO of Housing and Construction Energy, CEO of REG Europe & International Trading & Commodities, Renewable Energy Group, CEO	VP Operations at Scodix	VP of Solar at Rattan India; Senior Strategic Director at TATA Power Solar.	R&D VP at Hi Sech Labs; Head of systems engineering group at Elbit.	Marketing Director at the company.	Electronic Group Manager in GI VIEW	Analyst at Amdocs' Consultant to KPMG	Product and Customer Success VP at Friendly Robotics (MTD Products)	HR Director at Brizo Meter Ltd.	Business development manager; Dir. of business development LATAM Arctech-Solan; Commercial Manager Power Plants-MAN	Partner and owner in Ezra Yehuda Rosenblum – Consultation, Control and Risk Management



	of Petrotec AG									ENERGY SOLUTIONS	
Family relation to other interested parties	--	--	--	--	--		--	--	--		



Regulation 26b: Independent Authorized signers in the company

The company does not have independent authorized signers.

Regulation 27: Company Accountant

PwC Israel Keselman and Kesleman

Office address: 146 Menachem Begin St., Tel Aviv, 6492103

Regulation 28: Modification of Company Regulation

There were no changes to the Company's Articles of Association during the report period.

Regulation 29: Directorate's Recommendations and Decisions

1. For information regarding the distribution of dividends, see section 4.4 of Chapter A of the periodical report.
2. For information regarding the decisions of the company's special general assembly dated February 11th, 2021, see section 3.3 of the Directorate Report attached to the periodical report as chapter B.
3. See the Company's Immediate Report dated November 23, 2021 (Reference No: 2021-01-169905) and dated November 29, 2021 (Reference No: 2021-01-186723), which are included in this report by way of reference, for details about the Company's Annual General Meeting Resolutions from December 28, 2021.

Regulation 29A: Company Decisions

1. **Exemption and Indemnification statements**

On November 19, 2020 the company Directorate and the general assembly approved issuing commitment statements of exemption and indemnification to the Directors and position holders in the company ("**position holders**"), subject to the provisions of the law, according to which the company undertook:

 - a. To exempt the position holders in advance, for any damage caused to the company, directly or indirectly, as a result of a violation of the duty of care towards the company (unless due to a violation of the duty of care in distribution, as the term is defined in the Companies Law) in their actions in good faith and by virtue of them being position holders or employed by the company or a subsidiary or a related company, as will be from time to time. The exemption will not apply to a decision or transaction of a holder of controlling interest (should there be such) or any position holder in the company that has personal interest in (as determined in the Companies Law).
 - b. To indemnify the position holders for any liability or expense that are a result of one or more of the following: (1) Their actions (including a decision and/or failure) and/or a result of these carried out by virtue of them being position holders and/or employees of the company; (2) Their actions (including a decision and/or failure) and/or a result of these carried out by virtue of them being position holders appointed by the company in subsidiary or related companies, as will be from time to time; (3) Their actions (including a decision and/or failure) and/or a result of these carried out by virtue of them being employees of subsidiary companies and/or related companies, as will be from time to time.



2. Engaging in an Insurance Policy

On March 16, 2022 and March 30, 2022, the Compensation Committee and the Company's Board of Directors, respectively approved the purchasing of a Director's and Position Holder's insurance policy with the following terms: the sum of the overall insurance coverage per case and for a period of 12 months, for all of the Directors and Position Holders, will not exceed 15 million dollars; the sum of the yearly payment will not exceed 50 thousand dollars; the self-participation sum of the company in the framework of the policy will not exceed 20 thousand dollars, with the exception of claims in the US and Canada for which the self-participation will be up to 70 thousand dollars and with the exception of securities claims in which the self-participation will be up to 100 thousand dollars. Regarding securities claims regarding the public issuing, the self-participation will be up to 200 thousand dollars.

3. Accepting a Compensation and Benefit Policy

On November 19, 2020 the company Directorate and general assembly approved a compensation and benefit policy, in accordance with section 267A of the Companies Law and Regulation 1 of the Companies Regulations (regarding the requirement to determine a compensation and benefit policy), 2013, according to which the compensation policy will take effect for 5 years from the date the company's shares were registered for trade in the stock exchange market. A copy of the compensation and benefit policy is attached to the prospectus and marked as appendix B.

Date of report: March 30, 2022

Ecoppia Scientific Ltd.

Name of signer	Position	Signature
Eran Meller	Chairman of Directorate	
Jean Scemama	CEO	