

NextFerm Technologies Reports Fourth Quarter and Full Year 2021 Financial Results and Business Update

The Company's net revenues in 2021, all from sales of the Astaferm® antioxidant launched in the end of 2020, have grown by 154.7% totaling \$242 Thousand, compared to \$95 Thousand in 2020

The Company has achieved its three milestones for 2021, and is now preparing for production and commercial launch of ProteVin™, its proprietary vegan protein, in the first half of 2022

As of the publication of this report, The ProteVin™ has an order backlog of approximately \$187 Thousand

As of December 31, 2021, the Company has \$13.2 million in cash and cash equivalents, which is sufficient capital for financing its current activity for at least 12 months ahead

(Yokneam Illit, March 14, 2022) – NextFerm Technologies Ltd. (TASE:NXFR), a food-tech company developing ProteVin™, a vegan, yeast-based, non-GMO protein alternative and other innovative yeast-based nutrients,, reported financial results for the fourth quarter and full year ended December 31, 2021 and business update.

Boaz Noy, Chief Executive Officer of NextFerm, said, “we are concluding our first year as a public company in which we have achieved all the milestones set out for the company. In 2021, we had growth in the sales of the Astaferm® and received demands and initial purchase orders for ProteVin™ towards the initiation of its production and commercial launch in the first half of 2022. We are currently commissioning the production line we established with the subcontractor in Canada. At the same time, commercial samples of the protein are in advanced testing and approval stages by new potential customers in the USA, Europe, and Israel in the areas of sports nutrition powders, alternative dairy products, energy bars and beverages. So far, even prior to to the commissioning of production and commercial launch, the Company has an order backlog of about \$187 Thousand, an amount reflecting the positive feedback from the market, which we estimate will continue to grow.”

“The alternative protein revolution in the global food market is spreading. A report released in March 2021 by the BCG indicates that the alternative protein market, currently estimated at about \$20 billion, and about \$3.5 billion in terms of raw material, is expected to grow by 2035 to about \$290 billion, at a growth rate of about 20% per year. With a clear objective plan for 2022, we are focusing on increasing market demand for ProteVin™, receiving additional purchase orders and expanding penetration into the global food market. All, while increasing commercial production capacity to a profitable scale of hundreds

of tons per year. As the only alternative protein on the market today that is similar in its nutritional value and composition of amino acids to animal derived protein, and with no aftertaste, and based on strong positive feedback from customers, we believe that ProteVin™ has the potential of becoming an exceptional raw material with a high demand in the global alternative protein industry in the coming years.”

Fourth Quarter and full year 2021 Financial Highlights:

Net Revenues increased 48.5% to \$101 thousand compared to \$68 thousand in the fourth quarter of 2020. **2021 Annual net revenues** increased 154.7% to \$242 thousand compared \$95 thousand in 2020. The revenues derive from the sale of Astaferm®, the Company’s antioxidant. In 2021, the Company launched Astaferm® in the Canadian market and also received purchase orders from recurring customers in the USA, where the product was first launched at the end of 2020.

During 2021, the Company completed the development of a product based on Astaferm® combined with other ingredients in the form of gummies for supporting of the immune system. The Company has also completed development of additional applications customary in the industry, which include, in addition to gummies, a significantly higher concentration of cold-water dispersible powder as opposed to powders derived from algae source and with a completely neutral taste and flavor, as well as a new generation of Astaferm® with reduced sugar content gummies (80% less sugar). As of the date of the report, the Company has started marketing the new products in the USA. The Company’s plans for 2022 in respect of the Astaferm® product are receiving purchase orders from new and recurring customers and expanding the marketing and advertising activity of Astaferm®, including, *inter alia*, campaigns and participation in tradeshow and conferences.

The Company has an order backlog of about \$119 thousand as of December 31, 2021, out of which \$103 thousand (86%) is for ProteVin™. Prior to the publication of this report, the Company had an order backlog of about \$232 thousand, out of which \$187 thousand (81%) is for ProteVin™. As of December 31, 2019, the Company did not have any order backlog since it hadn’t yet started selling its products. As of December 31, 2020, the Company’s backlog was approximately \$18 thousand. As of the date of the report, the Company has no long-term contracts with customers. In the initial launch stages of products, most purchases are made through standalone purchase orders, and in more advanced stages, through yearly purchase orders.

ProteVin™ - Key goals for 2022

1. Operation of the first production facility for manufacturing ProteVin™ which was established in the GFR facilities in Canada, with a capacity of tens of tons, in the first half of 2022.
2. Commercial launch of ProteVin™ and supply of the first orders received in the USA during the first half of 2022.
3. Growing market demand and receive additional purchase orders, accelerating growth into sports nutrition and food markets by dominant players.
4. Expansion of production capacity for ProteVin™ to a profitable industrial scale of hundreds of tons per year. Such expansion is expected to begin during the second half of 2022, towards the start of production at these volumes in 2023.
5. Obtain a regulatory approval for marketing ProteVin™ in Israel in 2022. Israel is first in the world in terms of the shift to veganism and alternative nutrition and is an important market for the Company. It will be emphasized that ProteVin™ may be marketed in the US, Europe and other countries based on existing regulations regarding baking yeast and products thereof.

Gross profit increases 31% to \$17 thousand compared to \$13 thousand in the fourth quarter of 2020 while Gross margin decreased 11.6% to 16.8% compared to 19% in the fourth quarter of 2020. **Annual gross profit** increased 21% to \$23 thousand compared to \$19 thousand in 2020 while Gross margin decreased 52.5% to 9.5% compared to 20% in 2020. The increase in gross profit is a result of the increase in the Company's sales, however the decrease in the gross margin was mainly due to fixed costs in production as well as non-recurring expenses that affected the gross profit. The Company estimates that the gross profit from Astaferm® sales will improve as the sales advance and based on technological improvements and streamlining of production processes by the Company.

Research and development expenses increased 7% to \$700 thousand, compared to \$653 thousand in the fourth quarter of 2020. **Research and development** annual expenses for 2021 increased 27.3% to \$2.8 million compared to \$2.2 million in the twelve months period ended December 31, 2020. The increase in research and development expenses compared to last year was mainly due to an increase in salary expenses, share-based compensation expenses, and subcontractors.

Sales and marketing expenses increased 66% to \$168 thousand, compared to \$101 thousand in the fourth quarter of 2020. **Sales and marketing** annual expenses for 2021 increased 61.7% to \$506 thousand compared to \$313 thousand in the same period in the twelve months period ended December 31, 2020. The increase in sales and marketing expenses in 2021 compared to 2020 was mainly due to an increase in salaries and related expenses and an increase in advertising and branding expenses.

General and administrative expenses increased 110% to \$373 thousand, compared to \$178 thousand in the fourth quarter of 2020. **General and administrative** annual expenses for 2021 increased 106.5% to \$1.2 million compared to \$581 thousand in the twelve months period ended December 31, 2020. The increase in administrative and general expenses compared to last year was mainly due to expenses related to the Company's becoming a public company in January 2021.

Operating loss increased 31% to \$1.2 million, compared to \$919 thousand in the fourth quarter of 2020. **2021 Annual operating loss** increased 46.2% to \$4.5 million compared to \$3 million in the twelve months period ended December 31, 2020.

Net loss decreased 8% to \$1.2 million, compared to \$1.3 million in the fourth quarter of 2020. **2021 Annual Net loss** increased 62% to \$5.5 million, compared to \$3.4 million in the twelve months period ended December 31, 2020. The Net loss was mainly affected by the operating loss, as well as net financial expenses, in the amount of approximately \$1.0 million, mainly resulting from the revaluation of a convertible loan, offsetting financial income in respect of the revaluation of the option granted to Lallemand's, a global giant focused on yeast, as part of an agreement therewith.

Net cash from operating activities for 2021 increased 27% to \$3.8 million compared to \$3 million in the fourth quarter of 2020. The increase in cash from operating activities in 2021 was mainly due to the increase in the Company's loss offsetting the increase in the fair value of the convertible loan.

Cash and cash equivalents as of December 31, 2021, amounted \$13.2 million, compared to \$716 thousand as of December 31, 2020. In January 2021, the Company completed an IPO of shares and warrants on the Tel-Aviv Stock Exchange. In total, the Company raised a gross amount of \$11 million (ILS 35.2 million) and \$10 million (ILS 31.7 million), net. In December 2021, the Company completed a private placement of the Company's ordinary shares to 16 investors, for a total of \$8.1 million (ILS 25 million). The Company estimates, considering its existing plans, that it has capital to finance its current operations for at least 12 months ahead.

About NextFerm Technologies

NextFerm Technologies, traded on the Tel Aviv Stock Exchange (TASE:NXFR) is a food-tech company engaged in the research, development, manufacturing and marketing of innovative, functional and vegan yeast-derived, non-GMO protein alternatives for various applications in the food and food supplement markets and the growing market for animal-derived protein alternatives.

NextFerm's flagship product is ProteVin™, a vegan, yeast-derived protein alternative with nutritional value that is similar to animal-derived protein (Amino acid profile BCAA=21%, Leucine=9%, EAA=53% and high digestibility PDCAAS=1) and a neutral flavor, with no aftertastes that are typical of plant-based protein.

ProteVin™ is designed for a variety of categories in the alternative protein market, which is estimated at USD 20 billion in terms of final products and at USD 3.5 billion in terms of raw materials with a 10% CAGR, with an annual growth rate of 17%, including milk and dairy substitutes, meat substitutes and additional categories such as infant nutrition, adult nutrition, and sports nutrition. NextFerm is gearing up for commercialization of the product in the US in 2022.

Another product currently being sold is Astaferm®, an innovative astaxanthin-based antioxidant derived from yeast that has been sold in the US since the end of 2020 through well-established and leading brands in the food supplement market in the US. In July 2021, the Company received Regulatory Marketing Approval for Astaferm® in Canada.

The company has additional products which have been licensed to Lallemand, a global giant focused on yeast.

For more information, visit the NextFerm website at: www.nextferm.com

Legal Notice Regarding Forward-Looking Statements

This announcement also includes forecasts, projections, assessments, estimates and other information which refer to future events and matters, the realization of which is uncertain and not exclusively under the Company's control (forward-looking information). The main facts and data used to support this information are facts and data regarding the current position of the Company and its businesses (including the scope of sales and levels of profitability, manpower, commercial engagements and more), facts and data regarding the current global position of the Company's operating segments (including industry-specific financial developments, environmental regulatory developments, the competitive environment, technological developments, the reinsurance market and more), and macro-economic facts and data (including the economic situation both in Israel and around the world, yields in the capital markets, social and state developments and more), all as known by the Company when publishing this announcement. The forward-looking information included above in this announcement is significantly based upon, in addition to the existing information held by the Company, on the Company's current assessments and expectations of future developments vis-a-vis each one of the aforementioned parameters, and the interconnectedness of each one of these developments. The Company has no certainty that its forecasts and assessments will indeed eventuate, and the Company's operating results may be materially different than the results assessed or implicit based on that set forth above, inter alia, as a result of a change in any of the aforementioned factors.

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NEXTFERM TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2021	2020
	U.S. dollars in thousands (except per share data)	
NET REVENUES	242	95
COST OF REVENUES	(219)	(76)
GROSS PROFIT	23	19
OPERATING EXPENSES:		
Research and development – net *	2,772	2,181
Selling and marketing *	506	313
General and administrative *	1,212	581
Total operating expenses	4,490	3,075
OPERATING LOSS	(4,467)	(3,056)
Financial expenses	1,222	778
Financial income	184	414
FINANCIAL EXPENSES (INCOME) – net	1,038	364
LOSS BEFORE TAXES ON INCOME	5,505	3,420
TAXES ON INCOME	2	1
NET LOSS	5,507	3,421
LOSS PER SHARE:		
Basic & Diluted	0.49	1.87

* The above items are inclusive of the following share-based compensation expense:

Research and development – net	78	169
Selling and marketing	3	23
General and administrative	36	75
	117	267

**NEXTFERM TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED UNAUDITED BALANCE SHEETS**

	December 31, 2021	December 31, 2020
	U.S. dollars in thousands	
A s s e t s		
CURRENT ASSETS:		
Cash and cash equivalents	13,164	716
Short-term bank deposits	-	-
Accounts receivable:		
Trade	60	67
Other	147	233
Inventories	771	539
Total current assets	14,142	1,555
NON-CURRENT ASSETS:		
Property and equipment, net	1,674	523
Long-term deposits and other	45	21
Right of use assets	607	64
Total non-current assets	2,326	608
Total assets	\$ 16,468	\$ 2,163
Liabilities and shareholders' equity		
CURRENT LIABILITIES:		
Accounts payable and accruals:		
Trade	\$ 605	\$463
Other	701	277
Current maturities of lease liabilities	214	36
IIA liability	35	70
Deferred revenues and Contract liability	2,350	2,350
Option component liability	86	-
Convertible loan	-	2,554
Total current liabilities	3,991	5,750
LONG-TERM LIABILITY -		
Lease Liabilities	456	7
Long term IIA liability	347	333
Total liabilities	803	340
SHAREHOLDERS' EQUITY:		
Ordinary shares	43	4
Preferred A shares	-	6
Preferred A-1 shares	-	1
Preferred A-2 shares	-	2
Preferred A-3 shares	-	3
Additional paid-in capital	31,614	10,789
Accumulated other comprehensive loss	(19,983)	(14,732)
Total shareholders' equity	11,674	(3,927)
Total liabilities and shareholders' equity	16,468	2,163

NEXTFERM TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS

	Year Ended March 31,	
	2021	2020
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations (see appendix A)	(3,821)	(2,975)
Income taxes paid	(2)	(1)
Net cash (outflow) from operating activities	<u>(3,823)</u>	<u>(2,976)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(1,259)	(86)
Changes in restricted deposits	-	9
Net cash (outflow) from investing activities	<u>(1,259)</u>	<u>(77)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of preferred A-2 shares, net of issuance cost	-	8
Interest element of lease payments	(96)	(7)
Principal element of lease payments	(45)	(46)
Proceeds from Issuance of Ordinary shares (IPO), net of issuance cost	9,490	-
Proceeds from Issuance of Ordinary shares (PIPE), net of issuance cost	7,889	-
Proceeds from Issuance of Warrants (IPO), net of issuance cost	266	-
Proceeds from Convertible loan	-	1,806
Net cash inflow from financing activities	<u>17,504</u>	<u>1,761</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	14,422	(1,292)
BALANCE OF CASH AND CASH EQUIVALENTS		
AT BEGINNING OF PERIOD	716	2,008
Effects of exchange rate changes on cash and cash equivalents	26	-
BALANCE OF CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	<u>13,164</u>	<u>716</u>
APPENDIX A: NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net loss for the period	(5,507)	(3,421)
Adjustments required to reflect cash flows from operations:		
Depreciation and amortization	237	153
Non-cash employee benefits expense – share-based payments	117	267
Income taxes paid	2	1
Fair value adjustment to Convertible loan	1,058	748
Fair value adjustment to Option component liability	(180)	(393)
Change in IIA liability	(21)	19
Interest paid	96	7
Effects of exchange rate changes on cash and cash equivalents	(26)	-
	<u>1,283</u>	<u>802</u>
Change in operating assets and liabilities:		
(Increase) in inventories	(232)	(404)
(Increase)/decrease in trade receivables	7	(67)
(Increase)/decrease in other receivables	62	(86)

Increase/(decrease) in trade payable	142	244
Increase/(decrease) in other payable	424	(43)
	<u>403</u>	<u>(356)</u>
Cash generated from operations	<u>(3,821)</u>	<u>(2,975)</u>
Non- Cash Financing and Investment activities:	(107)	(404)
Non-cash IPO advisors benefits expense – share-based payments	139	-
Conversion of convertible loan to ordinary shares	<u>3,612</u>	<u>-</u>
Lease asset vs lease liability	<u>672</u>	<u>38</u>