



## **NextFerm Technologies – CEO Letter**

**Dear Shareholders,**

The challenging events that our country is going through during these complex times leave a significant mark on all citizens and companies in Israel. We all support our heroic soldiers, wish a fast and full recovery to our wounded, and pray for the quick release of our kidnaps.

Despite these events, we are honored to shed light on our main plans for 2024, which is expected to be a very significant year in the company's life.

As already reported, in the coming weeks, we are expected to accomplish several significant milestones, which are conditions for commercial sales. This is through the opening of the production line of ProteVin™, our vegan protein, which will allow the company to enjoy the growing interest from food and dietary supplements companies that are well aware of our high capabilities.

In addition, the company plans to strategically enter into the field of yeast-derived complementary products in early 2024, which will increase the company's sales and gross profitability, and we will elaborate on it in more detail shortly.

### **1. Moving to an annual production capacity of 4 million dollars in revenues**

The establishment of the first protein production line in India (at Kothari Fermentation and Biochem plant) is expected to be completed during March 2024. Immediately upon completion of the installation, a production line commissioning will be conducted, while the initial production of ProteVin™ will renew our supply capability and allow us contracting in additional supply agreements. In April and May 2024, we anticipate a capacity increase which will enable about 4 million dollars of annual revenues. The next production expansion phase, which will enable the company to become profitable, is expected to be completed in 2025.

### **2. Initial sales in Israel followed by additional countries**

In addition to the launches already performed and the need to supply materials for existing customers, the company continues its global marketing efforts, and many companies are in advanced stages of examining our protein for use in their food and dietary supplements products. We expect that in 2024, food and dietary supplement companies, including global companies, will use ProteVin™ in a variety of alternative products.

Additionally, the company is in advanced discussions for launching ProteVin™ in Israel with a leading Israeli company in protein products for sports nutrition. We

believe that ProteVin™ will be launched in additional countries and in various applications during this year.

### **3. Strategic entry into the yeast extract market with a potential for strategic collaboration in this huge market**

The company is developing a portfolio of yeast extract products directly from baker's yeast and is working on a strategic collaboration with a manufacturer that will enable an expansion of our product portfolio, increase profitability and sales, and strategically enter this market.

This is through the production of yeast extract, which is a flavor and aroma material found in soups, seasonings, and flavor extracts. Yeast extract market valued at around \$2 billion, growing at 9% annually. Yeast extracts price levels are between \$7 to \$30 per kg, and this field involves a lot of innovation.

We are entering this field since, in the ProteVin™ production process a high-quality yeast extract is obtained as a by-product.

### **The company operates in the fastest-growing segment in the alternative food industry**

The growing environmental awareness and the clear connection between the consumption of animal-based products and global pollution are the key drivers behind the growth of the alternative food category (vegan food). This is further supported by the fact that the alternative products segment is the fastest growing and most profitable segment in the food industry, a trend that is expected to continue and expand in the coming years.

According to Boston Consulting Group forecasts, by 2035, it is expected that about 10% of animal-based products will be replaced by alternative products. This trend implies that the global market for alternative will grow to about 300 billion dollars per year, growth that requires vegan protein sources with high nutritional value, high absorption, and neutral taste that will enable a production of high quality, healthy, and tasty alternative food products.

The alternative food industry is currently based on plant-based proteins, which are nutritionally inferior to animal-based proteins both in their amino acid composition and their absorption in the body. In addition, some of the sources carry flavors, odors, and pigments that affect the taste, smell, and color of the final food products.

The company developed the product ProteVin™, a vegan yeast-derived, non-GMO protein, with animal-like nutritional value, high digestibility, and a neutral flavor without the off-flavors characteristic of plant-based protein. This protein was produced in 2022 and early 2023 in a small scale facility in Canada at a volume of about 20 tons, which were sold to the American and European markets as a protein for sports nutrition products and as was first launched for an alternative food product.

Following a \$5 million fundraising conducted in March 2023, the company is completing the establishment of its first production line in India, where it will be able to profitably produce the protein, increase capacity, and meet the significant market demands.

As outlined in this letter, 2024 marks a turning point for the company's progress, transforming from a development company into a profitable, growing and innovative industrial company.

On behalf of myself and the company's employees, we thank you for your trust.  
Wishing you peaceful days,

**Boaz Noy**

**CEO of NextFerm Technologies Ltd.**