

NextFerm Technologies Reports Full Year 2022 Financial Results and Business Update

On March 2023, the Company closed a Public Offering of NIS 19 million (USD 5.2 million)

(Yokneam Illit, March 23, 2023) – 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 year ended December 31, 2022 and business update.

Boaz Noy, Chief Executive Officer of NextFerm, said, “During 2022 and after, we made progress in the process of launching and penetrating the market with our vegan protein ProteVin™, we achieved four of the five milestones we set for 2022. The completion of the fifth milestone, Marketing Approval for ProteVin™ in Israel, is expected during 2023. Since the launch of ProteVin™ in the second quarter of 2022, we received commercial purchase orders and a supply agreement of above \$3 million, from USA, Germany, Singapore and South America. We have so far supplied about 16 tons of ProteVin™ for the launches of our customers, out of which, two customers in the USA have already launched ProteVin™ based Sports Nutrition formulas. Currently, above 100 companies, including global food and dietary supplement brands, are evaluating ProteVin™ for their alternative products.

At the same time, we are making progress in establishing a full-scale production plant with a capacity of hundreds of tons per year with our sub-manufacturer in North Macedonia, which is expected to be completed in 2024.

We estimate that the proceeds from recent financing along with adjustments in the structure of the Company's expenses, will allow us to meet the three milestones we set for 2023, while keep generating market demands, purchase orders, supply agreements and supporting existing customers. We would like to thank our investors for their support and confidence in the Company during the current challenging market conditions, as we continue to execute our strategy to achieve high performance and value”.

Key goals for 2023

1. Establishing a production plant for ProteVin™ with a capacity of hundreds of tons per year which will start a full-scale production during 2024.
2. Growing market demands and Additional orders for ProteVin™ in the US, Europe and other territories.
3. Industrial fermentation scale-up for the Company's proprietary yeast strain for efficient and profitable production of ProteVin™ and which the Company had filed a patent application in November 2022 in Europe.

Full year 2022 Financial Highlights:

Net revenues increased 8% to \$262 thousand compared \$242 thousand in 2021. Revenues in 2022 mainly derive from sales of approximately \$142 thousand of ProteVin™, the Company's vegan protein, which was first launched in June 2022.

The Company has an order backlog of about \$106 thousand as of December 31, 2022, out of which \$57 thousand is for ProteVin™. As of March 23, 2023, the Company had an order backlog of about \$109 thousand, out of which \$60 thousand is for ProteVin™.

Gross loss totaled \$1,122 thousand in 2022 compared to a gross profit of \$23 thousand in 2021. The gross loss is mainly derived from sales of ProteVin™ which is produced in a semi-industrial facility at GFR Canada, with a capacity of tens of tons per year, the fixed expenses are distributed over a limited production volume. As a result, the cost of the inventory is higher than its market value, therefore the ProteVin™ inventory was reduced to the amount of its market value. In addition, according to the Company's inventory procedure, the Company reduced the value of the Astaferm® inventory in the amount of approximately \$210 thousand in connection with the shelf life and sales expectations of the inventory.

During September 2022, the Company announced a strategic manufacturing agreement for the production of ProteVin™ with a sub-manufacturer in North Macedonia, which is expected to replace the current pilot production plant in GFR Canada.

Research and development expenses for 2022 totaled \$4.9 million compared to \$2.8 million in 2021. The increase in research and development expenses compared to last year, was mainly due to an increase in expenses related to the process scale-up process, which includes implementing the production process into the facility, capacity improvement, and improving the quality of ProteVin™ at the facility of GFR in Canada. The improvement in the production process and its associated, is expected to be implemented in the Company's new production facility in North Macedonia.

Sales and marketing expenses for 2022 totaled \$700 thousand compared to \$506 thousand in 2021. The increase in sales and marketing expenses compared to last year is mainly due to an increase in expenses for the Company's participation in international conferences and exhibitions that it did not participate in during 2021, after the removal of the restrictions resulting from the Covid-19 crisis and the Company's approaching industrial production.

General and administrative expenses for 2022 totaled \$1.4 million compared to \$1.2 million in 2021. The increase in administrative and general expenses compared to last year was mainly due to an increase in the stock base compensation expenses, which were granted to employees during March 2022, as well as

an increase in expenses derived from signing a new lease agreement during the period, as the Company relocated to new labs and offices, in addition to a decrease in bonus accrual for 2021.

Operating loss totaled \$8.1 million in 2022 compared to \$4.5 million in 2021.

Net loss totaled \$8.1 million in 2022 compared to \$5.5 million thousand in 2021.

Net cash from operating activities in 2022 totaled \$7.6 million compared to \$3.8 million in 2021. The increase in cash from operating activities compared to last year was mainly due to the scale-up and production activities at the facility in Canada.

Cash and cash equivalents and deposits as of December 31, 2022, amounted \$3 million, compared to \$13.2 million as of December 31, 2021. As of the date of this report, on March 2, 2023, the Company consummate a Public Offering in the TASE raising NIS 19 million (\$5.2 million). The Company estimates is should raise additional capital in order to finalize the establishment of the new production plant for ProterVin™ with a capacity of hundreds of tons per year which is expected to produce during 2024, achieving its key goals set for 2023 and operating its ongoing business.

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 with animal-like nutritional value (Amino acid profile BCAA=21%, Leucine=9%, EAA=53% and high digestibility PDCAAS=1) and a neutral flavor. 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 an annual growth rate of above 20%, including milk and dairy substitutes, meat substitutes and additional categories such as infant nutrition, adult nutrition, and sports nutrition. The Company launched ProteVin™ and initiated marketing and supplying the product in second quarter of 2022.

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 AUDITED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2022	2021
	(except per share data)	
REVENUES	262	242
COST OF REVENUES	1,384	219
GROSS PROFIT	(1,122)	23
OPERATING EXPENSES:		
Research and development, net *	4,914	2,772
Selling and marketing *	700	506
General and administrative *	1,364	1,212
Total operating expenses	6,978	4,490
OPERATING LOSS	8,100	4,467
Financial expenses	203	1,222
Financial income	242	184
FINANCIAL EXPENSES (INCOME), net	(39)	1,038
LOSS BEFORE TAXES ON INCOME	8,061	5,505
TAXES ON INCOME	7	2
NET LOSS	8,068	5,507
LOSS PER SHARE:		
Basic & Diluted	0.54	0.49

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

Research and development, net	207	78
Selling and marketing	52	3
General and administrative	182	36
	441	117

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

	December 31, 2022	December 31, 2021
	U.S. dollars in thousands	
A s s e t s		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,024	\$ 13,164
Accounts receivable:		
Trade	57	60
Other	72	147
Inventories	795	771
Total current assets	3,948	14,142
NON-CURRENT ASSETS:		
Property and equipment, net and advances for Property and equipment	3,617	1,674
Other non-current assets	45	45
Right of use assets	483	607
Total non-current assets	4,145	2,326
Total assets	\$ 8,093	\$ 16,468
Liabilities and shareholders' equity		
CURRENT LIABILITIES:		
Accounts payable and accruals:		
Trade	\$ 489	\$ 605
Other	389	701
Operating lease liabilities - short term	193	214
IIA liability	11	35
Deferred revenues	2,350	2,350
Option component liability	5	86
Total current liabilities	3,437	3,991
LONG-TERM LIABILITY -		
Operating lease liabilities - long term	295	456
IIA liability - long term	314	347
Total liabilities	609	803
SHAREHOLDERS' EQUITY:		
Ordinary shares	43	43
Additional paid-in capital	31,614	31,614
Accumulated deficit	(27,610)	(19,983)
Total shareholders' equity	4,047	11,674
Total liabilities and shareholders' equity	\$ 8,093	\$ 16,468

NEXTFERM TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED AUDITED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2022	2021
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash used in operating activities (see appendix A)	(7,626)	(3,821)
Income taxes paid	(7)	(2)
Net cash (outflow) from operating activities	(7,633)	(3,823)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,159)	(1,259)
Net cash (outflow) from investing activities	(2,159)	(1,259)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest payments	(64)	(96)
lease payments	(148)	(45)
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 Options (IPO), net of issuance cost	-	266
Net cash inflow from financing activities	(212)	17,504
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,004)	12,422
BALANCE OF CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,164	716
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(136)	26
BALANCE OF CASH AND CASH EQUIVALENTS, END OF YEAR	3,024	13,164

NEXTFERM TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED AUDITED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2022	2021
	U.S. dollars in thousands	
APPENDIX A: NET CASH USED IN OPERATING ACTIVITIES:		
Net loss for the period	(8,068)	(5,507)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	385	237
Non-cash employee benefits expense – share-based payments	441	117
Income taxes paid	7	2
Fair value adjustment to Convertible loan	-	1,058
Fair value adjustment to Option component liability	(81)	(180)
Change in IIA liability	(57)	(21)
Interest expenses (income) and exchange rate differences for operating lease	(13)	96
Effects of exchange rate changes on cash and cash equivalents	136	(26)
	818	1,283
Change in operating assets and liabilities:		
Increase in inventories	(24)	(232)
Decrease in trade receivables	3	7
Decrease in other receivables	75	62
Increase/(decrease) in trade payable	(118)	142
Increase/(decrease) in other payable	(312)	424
	(376)	403
Cash used in operating activities	(7,626)	(3,821)
Non- Cash Financing and Investment activities:		
Non-cash IPO advisors benefits expense – share-based payments	-	139
Conversion of convertible loan to ordinary shares	-	3,612
Lease asset vs lease liability	43	672
Investment on property and equipment	2	-