

TEJAS ISRAEL LTD.
FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2017



REPORT OF INDEPENDENT AUDITORS

To the shareholders of
TEJAS ISRAEL LTD.

We have audited the statements of financial position of Tejas Israel Ltd. (hereafter - the Company) as of December 31, 2017 and December 31, 2016 and the related statements of comprehensive loss and changes in capital deficiency for 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 auditing standards generally accepted in Israel, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As of March 31, 2013 the Company ceased its operation.

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, 2017 and December 31, 2016 and the results of operations and changes in capital deficiency for the years then ended, in conformity with International Financial Reporting Standards (IFRS).

Tel-Aviv, Israel
April 17, 2018



Kesselman & Kesselman
Certified Public Accountants (Isr.)

A member firm of PricewaterhouseCoopers International Limited

TEJAS ISRAEL LTD.
STATEMENT OF FINANCIAL POSITION

| | | December 31 | |
|--|------|------------------|----------|
| | Note | 2017 | 2016 |
| | | NIS in thousands | |
| A s s e t s | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | 21 | 5 |
| Government institutions | | 18 | 19 |
| TOTAL CURRENT ASSETS | | 39 | 24 |
| TOTAL ASSETS | | 39 | 24 |
| Liabilities and Capital Deficiency | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable and accruals - | | | |
| other | | 171 | 71 |
| Parent company | | 1,198 | 1,299 |
| TOTAL CURRENT LIABILITIES | | 1,369 | 1,370 |
| TOTAL LIABILITIES | | 1,369 | 1,370 |
| CAPITAL DEFICIENCY: | | | |
| Ordinary share capital | 4 | * | * |
| Share premium | | 36,545 | 36,545 |
| Deficit accumulated | | (37,875) | (37,891) |
| | | (1,330) | (1,346) |
| TOTAL LIABILITIES AND CAPITAL DEFICIENCY | | 39 | 24 |

* Represents an amount lower than 1,000 NIS

Date of approval of the financial statements: April 17, 2018.



Arnob Roy
Member of the Board of
Directors

The accompanying notes are an integral part of these financial statements.

TEJAS ISRAEL LTD.
STATEMENTS OF COMPREHENSIVE LOSS

| | Year ended December 31 | |
|---|-----------------------------------|-------------|
| | 2017 | 2016 |
| | NIS in thousands | |
| COSTS AND EXPENSES - | | |
| General and administrative | 115 | 59 |
| OPERATING LOSS | 115 | 59 |
| OTHER INCOME | - | (746) |
| FINANCIAL EXPENSES (INCOME), net | (131) | 39 |
| NET INCOME | (16) | (648) |

The accompanying notes are an integral part of these financial statements.

TEJAS ISRAEL LTD.
STATEMENTS OF CHANGES IN CAPITAL DEFICIANCY

| | Ordinary shares | | Additional paid in capital | Accumulated deficit | Total |
|------------------------------|---------------------|--------|----------------------------------|------------------------|---------|
| | Number of shares | Amount | | | |
| | NIS in thousands | | | | |
| BALANCE AT DECEMBER 31, 2015 | 900,000 | * | 36,545 | (38,539) | (1,994) |
| CHANGES DURING 2016 - | | | | | |
| Net income | | | | 648 | 648 |
| BALANCE AT DECEMBER 31, 2016 | 900,000 | * | 36,545 | (37,891) | (1,346) |
| CHANGES DURING 2017 - | | | | | |
| Net income | | | | 16 | 16 |
| BALANCE AT DECEMBER 31, 2017 | 900,000 | | 36,545 | (37,875) | (1,330) |

* Represents an amount lower than NIS 1,000

The accompanying notes are an integral part of these financial statements.

TEJAS ISRAEL LTD.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

a. Nature of operations

On November 20, 2009, Ethos Networks Ltd., ("**Ethos**"), Tejas Network Limited ("**TNL**"), Kreos Capital III Ltd. ("**Kreos**"), Evergreen IV L.P ("**Evergreen**") and Vertex entered into a Term Sheet for the acquisition by Tejas of certain assets and intellectual property of Ethos (the "**Acquisition**") through a special purpose vehicle (Tejas Israel Ltd.). On February 1, 2010, Ethos, TNL, Tejas Israel Ltd. (the "**Company**" or "**TJI**"), Evergreen, Argonaut Ventures I, LLP ("**Argonaut**"), Vertex III (C.I) Fund L.P, Vertex III (Israel) Fund L.P., Vertex (Israel B) Fund L.P., Vertex III (DCM) Fund L.P., Vertex III (G) Fund L.P. and Quest For Growth N.V. (collectively, the "**Vertex Funds**") entered into a Share Purchase Agreement ("**SPA**"). The SPA provides for the Acquisition through the purchase by Tejas of the entire share capital of TJI.

In connection with the Acquisition, on February 1, 2010, Ethos, TJI, Evergreen, the Vertex Funds and Argonaut entered into a Founders Agreement (the "**Founders Agreement**"), that provides for the incorporation and funding of TJI through the Final Closing (as defined in the SPA).

As of March 18, 2010 (the "**Interim Closing**") Ethos sold to TJI the Acquired Assets, as defined in the Founders Agreement.

On August 18, 2010 the final closing occurred and all of TJI shares were transferred to TNL.

- b.** Until March 31, 2013 the Company did a development work for TNL. As of that date the company ceased its operation.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

a. Basis for presentation of financial statements

The financial statements of the company have been prepared under International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The preparation of financial statements in conformity with IFRS requires the management to use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes.

b. Functional currency

The company's functional currency is the US dollars ("**dollars**"), since the currency of the primary economic environment in which the operations of the company are conducted is the dollar.

The dollar amounts are determined as follows: transactions and balances originally denominated in dollars are presented at their original amounts. Balances in non-dollar currencies are translated into dollars using historical and current exchange rates for non-monetary and monetary balances, respectively. For non-dollar transactions reflected in the statement of income, the exchange rates at transaction dates are used. Depreciation and changes in inventory deriving from non-monetary items are based on historical exchange rates. The resulting translation gains or losses are carried to financial income or expenses, as appropriate.

TEJAS ISRAEL LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

The Bank of Israel exchange rates are:

| | <u>U.S. dollar</u> |
|-------------------|--------------------|
| December 31, 2017 | 3.467 |
| December 31, 2016 | 3.845 |

c. Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

d. Cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

NOTE 3 - LONG-TERM LOAN

On August 13, 2007, Ethos and Kreos entered into a Loan Agreement, (the "**Loan Agreement**"). According to the Loan Agreement, Kreos undertook to grant Ethos a loan facility of up to US\$3 million.

On March 18, 2010, Ethos, Kreos, and the Company entered into an Assignment Agreement (the "**Assignment Agreement**").

Pursuant to the Assignment Agreement, Ethos assigned a sum of US\$1.5 million out of the outstanding loan under the Loan Agreement (the "**Assigned Debt**") to TJI as of the Interim Closing of the SPA. As such, TJI became liable for the repayment of the Assigned Debt to Kreos, in accordance with the terms of the Assignment Agreement. Liability for the remaining US\$1.5 million stayed with Ethos, pursuant to an additional amendment to the Loan Agreement dated March 18, 2010.

Effective on the date of Final Closing, as defined in the SPA, the Assigned Debt will be repaid to Kreos by the Company as follows (none of the following repayment schemes will carry any interest):

- (i) In the event of occurrence of an exit event by way of an all-cash acquisition of TNL or the Company (a "**Cash Acquisition**") or an initial public offering of TNL or the Company ("**IPO**") within 24 months from the Final Closing of the SPA, TJI will repay Kreos the Assigned Debt within 60 days after the closing of such Cash Acquisition or IPO. The Company will provide written notice to Kreos not less than 30 days prior to the consummation of such Cash Acquisition or IPO.

TEJAS ISRAEL LTD.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - LONG-TERM LOAN (continued):

- (i) In the event that a Cash Acquisition or an IPO does not occur within 24 months, the Assigned Debt will be repaid to Kreos in 12 equal installments of US\$125,000 per month commencing from the 25th month after the Final Closing of the SPA. Each installment will be made on the first business day of each calendar month.
- (ii) Notwithstanding the aforementioned, in the event that: (a) TJI fails to pay when due and payable any sum payable to Kreos under the Assignment Agreement, according to the provisions thereof; or (b) TJI becomes insolvent or voluntarily files for or takes any relief under any bankruptcy legislation or is being placed in involuntary bankruptcy or receivership (whether court ordered or private) or goes into liquidation or enters into a scheme or voluntary arrangement with its creditors or becomes subject to an administration order or has a receiver appointed over its property and assets or has or permits a petition for dissolution or winding up to be filed by a third party and does not have such petition discharged within thirty (30) days or ceases to carry on business in the normal course for a period of one calendar month; or (c) TJI sells, assigns, transfers or otherwise disposes of a material portion of its ownership rights to the Company Intellectual Property; or (d) The SPA is terminated in accordance with its terms and Final Closing does not take place, then all outstanding amounts accrued or owing from TJI to Kreos under the Assignment Agreement shall become immediately due and payable (without interest).

On December 7, 2012 the Companies concerned with the Assigned Debt reached into a new agreement for a new payments schedule. The Assigned Debt will be paid in 22 installments of US\$1,500,000 total in accordance to the schedule agreed in the new engagement, commencing from the 21th on December 2013.

In February 2014, considering the Company's financial position, Kreos decided to waive an amount of US \$125 thousands of the loan's payments.

In July 2014, February 2015 and May 2015 the Company repaid an amount of US \$50 thousands, US \$100 thousands and US \$100 thousands respectively on account of the outstanding loan.

On June 1, 2016 the Company signed an agreement with Kreos according to which the Company will pay Kreos a final sum of US \$550 thousands on account of the long term loan.

On June 27, 2016 the Company paid the final pay according to the agreement. An amount of \$200 thousands were recognized as other income in the statements of comprehensive income in 2016.

NOTE 4 - SHAREHOLDERS' EQUITY:

a. Issuance of ordinary shares:

- 1) On March 9, 2010, the Company issued a total amount of 44,000 Ordinary Shares to the Founders, as Advance Shares.
- 2) On March 18, 2010, the Company issued a total of 599,000 Ordinary Shares to Ethos, such that following the issuance, Ethos holds 600,000 Ordinary Shares (the "Ethos TJI Shares").
- 3) On March 24, 2010, the Company issued a total of 10,000 shares to the Founders, as Advance Shares.
- 4) Issuance of escrow investments fund:

NOTE 4 - SHAREHOLDERS' EQUITY (continued):

On March 25, 2010, the Company issued a total of 40,000 shares at a price per share of \$5 par value to the Founders, as Funding Draw Shares, following a Funding Call issued to the escrow agent.

On April 13, 2010, the Company issued a total of 20,000 shares at a price per share of \$5 par value to the Founders, as Funding Draw Shares, following a Funding Call issued to the escrow agent.

On April 28, 2010, the Company issued a total of 46,002 shares at a price per share of \$5 par value to the Founders, as Funding Draw Shares, following a Funding Call issued to the escrow agent.

On June 1, 2010, the Company issued a total of 64,000 shares at a price per share of \$5 par value to the Founders, as Funding Draw Shares, following a Funding Call issued to the escrow agent.

On July 29, 2010, the Company issued a total of 64,000 shares at a price per share of \$5 par value to the Founders, as Funding Draw Shares, following a Funding Call issued to the escrow.

On August 11, 2010, the Company issued a total of 11,998 at a price per share of \$5 par value shares to the Founders, as Funding Draw Shares, following a Funding Call issued to the escrow agent

As of August 18, 2010 all TJI's shares were transferred to Tejas India according to the SPA.

b. Rights attached to ordinary shares

Ordinary Shares, with no nominal value, confer upon their holders rights to receive notices of, and to attend, all general meetings, to have one vote per share in all general meetings and for all purposes, to participate and share equally, on a per share basis, in distribution of dividends (if and when applicable), and to participate and share equally, on a per share basis, in distribution of surplus assets and funds in the Company (if and when applicable).

NOTE 5 - TAXES ON INCOME

The company is taxed at a regular rate.

On August 5, 2013, the Law for Change of National Priorities (Legislative Amendments for Achieving the Budgetary Goals for 2013-2014), 2013 (hereinafter - the Law) was published in Reshumot (the Israeli government official gazette), enacting, among other things, raising the corporate tax rate beginning in 2014 and thereafter to 26.5% (instead of 25%).

On January 5, 2016, the Law for Amendment of Income Tax Ordinance (Amendment No. 216), 2016 was published in Reshumot, enacting, among other things, decreasing the corporate tax rate beginning in 2016 and thereafter to 25% (instead of 26.5%).

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016 was published, introducing a gradual reduction in corporate tax rate from 25% to 23%. However, the law also included a temporary provision setting the corporate tax rate in 2017 at 24%. As a result, the corporate tax rate will be 24% in 2017 and 23% in 2018 and thereafter.