

RECORD HALF YEAR RESULT TRANSFORMATIVE PERIOD OF CROSS BORDER GROWTH

H1 FY21 HIGHLIGHTS

- Record half year revenue of US\$1.8 million, up 83% (H1 FY20: US\$1.0 million)
- Launched the Healthy Height® shake range in China and Italy
- Entered binding MoU to produce Healthy Height® in New Zealand for the Asia Pacific market
- Launched the Healthy Height® Nutrition Bar in North America
- Strong cash balance of US\$2.7 million to continue to grow the Healthy Height® brand in emerging and established markets

19 August 2021 – Nutritional Growth Solutions Ltd. (ASX:NGS) (“NGS” or “Company”) is pleased to provide its activity report for the half year ended 30 June 2021 (H1 FY21), along with its Appendix 4D.

Commenting on the Company’s progress, Nutritional Growth Solutions CEO and Managing Director Liron Fendell said:

“The first half of 2021 has been instrumental to the international growth of Nutritional Growth Solutions as a global provider of nutritional supplements that are scientifically formulated by paediatric doctors, patented and clinically proven to support growth development in children, and our Healthy Height® brand.”

“We have continued to build on the strong foundations we set in 2020 by launching Healthy Height® in both China and Italy - two highly desirable markets for Asia and Europe respectively. We also signed a binding MoU with a highly reputable dairy-based nutritional development company in New Zealand to produce our product for the Asia Pacific region. With the Tmall Flagship Store in place, together with the shift of our production to New Zealand, we are well positioned to now expand into the China market, first through cross-border e-commerce, and then through general trade. China will continue to be a key focus market for NGS, alongside the US.”

“We were delighted to launch the Healthy Height® Nutrition Bar in North America late in the reporting period. The Healthy Height® Nutrition Bar is formulated with the same patented profile as the Healthy Height® shake range that is clinically proven to increase growth development in children aged 3 – 9 years old by 13.8% – 34% to their annual growth¹.”

“Lastly, we have recommenced all clinical trials that were placed on hold due to COVID-19 and we look forward to providing an update of these findings once they are available.”

Financial overview

NGS generated revenue of US\$1.8 million for the six months ended 30 June 2021, up 83% on prior year. This result was driven by continued growth in the key North American market, as well as entering new markets in China and Italy. NGS incurred a loss of US\$2.2 million for H1 FY21 (H1 FY20: US\$678k), which reflects the increased investment in research, marketing and distribution to ensure the business is positioned to continue to grow, and build further scale.

NGS enters the second half of FY21 with a strong cash position of US\$2.7 million, which will fund the Company’s

¹ Journal of Pediatrics, Labenthal et al, 2014; Yackobovitch-Gavan et al, 2016

growth strategy to grow the brand in the Asia Pacific, expand sales channels – mostly through retail sales in the US, and bring new products to market.

Operational overview

Nutritional Growth Solutions Flagship Store Launch in China

January 2021 saw the launch of Nutritional Growth Solutions flagship T-Mall Global store in China. The T-Mall Global platform is a subsidiary of the Alibaba Group and is China's largest online cross-border marketplace generating over half a billion transactions a month. The T-Mall Global store launch is the first initiative of the rollout in China with the Healthy Height® shake range currently available on the platform (see ASX announcement dated 7 January 2021)

Healthy Height® debut in Europe

In March, the Healthy Height® shake range made its debut in Europe, available on shelves in pharmacies and health food stores, nationwide. The launch came after a three-year exclusive distribution deal was signed with leading distributor of clinically proven products in the region, Dicofarm (see ASX announcement dated 8 March 2021).

The Italian market has exceeded sales expectations, producing wholesale sales of over US\$550,000 in H1 2021 (see ASX announcement dated 30 June 2021).

Trademark secured in China

In April, NGS secured the rights to the Healthy Daily Height™ trademark in China. This allows NGS to register its brand under a Class 5 trademark (# 30990741) which includes pharmaceuticals, dietary supplements and food for babies, enabling NGS to better protect and enforce its intellectual property rights against imitation products and develop relationships with reputable distributors, retail outlets and stockists (see ASX announcement dated 9 April 2021).

Binding MoU signed for New Zealand production

In May, Nutritional Growth Solutions signed a binding Memorandum of Understanding agreement with dairy-based nutritional development company, NIG Nutritionals to produce Healthy Height® in New Zealand. Under the agreement, NIG Nutritionals will manufacture under license, package, distribute and assist in commercialisation of Healthy Height® into China and possibly new Asia Pacific markets (see ASX announcement dated 17 May 2021).

NIG Nutritionals' is highly regarded in China as a global distributor of scientifically formulated, high quality dairy products and is a subsidiary of New Image International.

Adding a production site in New Zealand (in addition to current production in US and Germany) is a milestone in expanding sales in China, both on cross-border e-commerce and on general trade (offline sales).

Healthy Height® Nutrition Bar Launch in North America

In May, Nutritional Growth Solutions launched its Healthy Height® Nutrition Bar in North America. The nutrition bar is made with the same patented profile as the Healthy Height® shake range which is scientifically formulated and clinically proven to support height and growth development in children (see ASX announcement dated 18 May 2021).

Outlook

“We have a strong cash balance and are executing our growth strategy. Our mission is to provide children around the world with the nutrition that will help them fulfill their potential. To do that, we plan to grow our brand globally, with a focus on China, expand sales channels into retail distribution, and bring new products to market. Since the reporting period, we have appointed three senior leaders with a track record from companies such as Bayer, GSK, A2 Milk and Blackmores. Most recently, we signed a supply agreement with Chemist Warehouse China. We will continue our disciplined approach to the rollout of our growth strategy and look forward to growing the Healthy Height® brand into a household name for child nutrition”.

This announcement has been authorised for release by the Board of Nutritional Growth Solutions Ltd.

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About Nutritional Growth Solutions Ltd

Nutritional Growth Solutions was established at Schneider Children’s Medical Center of Israel by a professional team that focuses research on the interaction between nutrition and growth. Pediatricians at Schneider have over 20,000 patient visits every year from children living around the globe with issues relating to growth. This has spurred these world-renowned scientists, doctors, and researchers to focus on nutritional growth retardation in children and adolescents. Schneider’s experts use this wealth of practical and clinical knowledge to develop evidence-based clinically tested nutritional solutions for children. ngsolutions.co

APPENDIX 4D

For the half year ended 30 June 2021

1. Company information

Name of entity: Nutritional Growth Solutions Ltd.

ABN: 642 861 774

Reporting period: For the half year ended 30 June 2021

Previous period: For the half year ended 30 June 2020

(All amounts in the following appendix are stated in US dollars, unless stated otherwise)

2. Results for announcement to the market

		30 June 2021 US\$'000	% change from half year ended 30 June 2020	30 June 2020 US\$'000
Revenue from ordinary activities	up	1,840	84%	1,002
Loss from ordinary activities after tax	up	(2,296)	239%	(678)

Operating and financial review

The half-year ended 30 June 2021 was a significant period of growth of Nutritional Growth Solutions (NGS). The Company grew substantially, both operationally and in terms of financial outcomes, which was driven by the Company's execution of its growth strategy.

Nutritional Growth Solutions achieved record half yearly revenue of US\$1.8 million, up 83% on the prior corresponding period (pcp), attributed to continued growth in the key North American market, as well as entering new markets in China and Italy.



The Company's Gross Profit increased to US\$801k, up 44% on pcp, with funds used to restart clinical trials that were placed on hold due to COVID-19, marketing and selling expenses, weighted towards new and emerging markets.

incurred a loss of \$2.2 million for H1 FY21 (H1 FY20: US\$678k), which reflects the increased investment in research, marketing and distribution to ensure the business is positioned to continue to grow, and build further scale.

APPENDIX 4D

For the half year ended 30 June 2021

Key operational achievements for Nutritional Growth Solutions over the half-year ended 30 June 2021 include:

- Entering the European market with Italy launch
- Securing the Healthy Daily Height® trademark in China
- Launching flagship online store in China
- Entering binding MoU to produce Healthy Height® in New Zealand for Asia Pacific
- Launching Healthy Height® Nutrition Bar in North America

Nutritional Growth Solutions enters Q3 with a strong cash position of US\$2.7 million and net assets of US\$3.2 million to continue to grow the brand in the Asia Pacific, expand sales channels, and bring new products to market.

Commentary

The loss for the consolidated entity after providing for income tax amounted to \$2,296 including a non-cash finance expenses of \$550 in connection of non-cash share-based payments.

In the first half of 2021, the company showed 84% revenue growth, with 240% increase in its operating loss.

No dividend has been proposed or declared for the reporting period, and it is not proposed to pay a dividend for the reporting period.

3. Net Tangible Asset Per Security

	30 June 2021	30 June 2020
	cents	cents
Net tangible assets per security (cents)	(0.03)	(0.00)

4. Details of entities over which control has been gained or lost during the period

5. Dividend information

No dividend or distribution has been proposed or declared for the reporting period, and it is not proposed to pay a dividend or distribution for the reporting period.

6. Details of dividend reinvestment plans

There is no dividend or distribution reinvestment plan in operation.

7. Details of associates and joint venture entities

None

8. Foreign entities

The Parent Company of the group was established under the corporate law in Israel and has a fully owned US subsidiary incorporated under the corporate law of Delaware. The financial statements of the Group are prepared in its functional currency, the US-Dollar, and are prepared with IFRS Accounting Standards.

9. Independent Audit Review

The Condensed Interim Consolidated Financial Statements contain an Audit Review by BDO Ziv Haft. The Audit Review is not subject to a modified opinion, emphasis of matter or other matter.

NUTRITIONAL GROWTH SOLUTIONS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

UNAUDITED

NUTRITIONAL GROWTH SOLUTIONS LTD.

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**Review report on interim financial information
to the shareholders of
NUTRITIONAL GROWTH SOLUTIONS LTD.**

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Nutritional Growth Solutions Ltd. (the "Company") as of June 30, 2021 and the related condensed interim consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2021, and of its financial performance and its consolidated cash flows for the six month period then ended in accordance International Accounting Standard 34.

Lior Shahar

Tel-Aviv, Israel

August, 18, 2021

Ziv haft
Certified Public Accountants (Isr.)
BDO Member Firm

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NUTRITIONAL GROWTH SOLUTIONS LTD.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	June 30, 2021	December 31, 2020
	<u>Unaudited</u>	<u></u>
ASSETS		
Current Assets:		
Cash and cash equivalents	2,687	4,630
Trade receivables, net	258	38
Inventories	300	145
Other accounts receivable	25	240
Total current assets	<u>3,270</u>	<u>5,053</u>
Non-Current Assets:		
Intangible assets	70	150
Property, plant and equipment, net	8	13
Total non-current assets	<u>78</u>	<u>163</u>
Total Assets	<u>3,348</u>	<u>5,216</u>

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

NUTRITIONAL GROWTH SOLUTIONS LTD.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	<u>Note</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
		<u>Unaudited</u>	
LIABILITIES AND EQUITY			
Current Liabilities:			
Trade payables		214	186
PPP loan	4	129	-
Other accounts payable		429	579
Total current liabilities		<u>772</u>	<u>765</u>
None-Current Liabilities			
PPP loan		-	129
Equity:			
	3		
Share capital and premium		7,781	7,781
Share based payment reserve		1,285	735
Retained losses		(6,490)	(4,194)
Total equity		<u>2,576</u>	<u>4,322</u>
Total liabilities and shareholders' equity		<u>3,348</u>	<u>5,216</u>



Liron Fendell
Chief Executive Officer

B. Leedman

Brian Leedman
Chairman



Tzili Peker
Chief Financial Officer

August 18, 2021

Date of approval of
financial statements

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

NUTRITIONAL GROWTH SOLUTIONS LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollar in thousands)

	Six-month period ended June 30,	
	2021	2020
	Unaudited	
Revenue	1,840	1,002
Cost of revenue	1,039	447
Gross profit	801	555
Research and development expenses	459	44
General and administrative expenses	1,088	444
Selling and marketing expenses	1,525	735
Operating loss	2,271	668
Finance expense	25	10
Total comprehensive loss for the period	2,296	678
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)

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

NUTRITIONAL GROWTH SOLUTIONS LTD.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(US Dollar in thousands)

For the six-month period ended June 30, 2021 (Unaudited):

	<u>Share capital and premium</u>	<u>Share based payment reserve</u>	<u>Retained losses</u>	<u>Total</u>
Balance at January 01, 2021	7,781	735	(4,194)	4,322
Changes during the period:				
Total comprehensive loss	-	-	(2,296)	(2,296)
Share based payment	-	550	-	550
Balance at June 30, 2021	<u>7,781</u>	<u>1,285</u>	<u>(6,490)</u>	<u>2,576</u>

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

NUTRITIONAL GROWTH SOLUTIONS LTD.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(US Dollar in thousands)

For the six month period ended June 30, 2020 (Unaudited):

	<u>Share capital and premium</u>	<u>Share based payment reserve</u>	<u>Retained earnings (losses)</u>	<u>Total</u>
Balance at January 1, 2020	2	444	167	613
Changes during the period:				
Total comprehensive loss	-	-	(678)	(678)
Share based payment	-	81	-	81
Balance at June 30, 2020	<u>2</u>	<u>525</u>	<u>(511)</u>	<u>16</u>

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

NUTRITIONAL GROWTH SOLUTIONS LTD.
UNAUDITED CONDENSED INTERIM CONSOLIDATED OF CASH FLOWS
(US Dollar in thousands)

	Six-month period ended June 30,	
	2021	2020
	Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(2,296)	(678)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	5	5
Amortization of intangible assets	80	-
Increase in trade receivables, net	(220)	(1)
Decrease (increase) in other accounts receivable	215	(9)
Decrease (increase) in inventories	(155)	9
Increase in trade payables	28	117
Increase (decrease) in other accounts payable	(75)	43
Share based payment	550	81
Net cash used in operating activities	(1,868)	(433)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangible assets	(75)	-
Receipt from Deposit	-	4
Net cash provided by (used in) investing activities	(75)	4
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipt of loan from bank	-	138
Receipt of convertible loan	-	1,024
Net cash provided by (used in) financing activities	-	1,162
Net increase (decrease) in cash and cash equivalents	(1,943)	733
Cash and cash equivalents at the beginning of the period	4,630	580
Cash and cash equivalents at the end of the period	2,687	1,313

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

NUTRITIONAL GROWTH SOLUTIONS LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 1 - GENERAL:

- A. Nutritional Growth Solutions Ltd. (the "Company") was incorporated on November 24, 2013 in Israel and commenced its operations on May 1, 2014. The Company has a wholly - owned subsidiary in the United States, NG Solutions INC., which was incorporated in August 2017. The Company and its subsidiary (together, the "Group") develops, produces (outsourcing manufacturing) and sells clinically tested protein supplements for children – commercializing the intellectual property generated by years of medical research into pediatric nutrition.
- B. The novel coronavirus ("COVID-19") has adversely impacted global commercial activity and contributed to significant volatility in financial markets. The COVID-19 pandemic has disrupted global supply chains and adversely impacted many different industries for most of 2020. COVID-19 could have a continued material adverse impact on economic and market conditions and trigger a period of continued global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the extent and the duration of the economic impact of COVID-19. COVID-19 therefore presents material uncertainty and risk with respect to the Group and its performance and could affect the Group's financial results in a materially adverse way.

Due to the continued COVID-19 pandemic spread and its variants during the 1st half of 2021, the Group continued to experience some changes in its operations among them, continued remote work as a matter of health precaution measures and delay in supply chain and delivery of goods. As of this date, the Group is unable to assess what, and for how long, any adverse changes may impact the Group business for the long term.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2020 annual financial statements.

Significant accounting policies

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2020 annual financial statements.

NUTRITIONAL GROWTH SOLUTIONS LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 3- SHAREHOLDERS' EQUITY:

Share based payment:

1. On January 27, 2021, the Group has signed a two years agreement (the "Agreement") with Yoola Labs Ltd. ("Yoola"), a leading YouTube multi-channel network and influencer-focused service provider. Yoola will offer the Group and its Healthy Height® brand services for organic interaction with target audiences in Asia. As part of the Agreement, Yoola and its influencers were issued 250,000 share options, under the same terms of the Group's 2020 Share Incentive Plan in effect (the "ESOP"), fully vested and exercisable. The options are exercisable at a price of AUD 0.2747 per share. Yoola and its influencers will also be entitled to success-based cash compensation based on actual attributed sales as a result of Yoola and its influencers' effort. The option value as of grant date is USD 0.05 per option. The fair value of share options was estimated by using a Black and Scholes model approach, which was aimed to model the value of the Group's assets over time.

The service value is estimated based on the fair value options according to IFRS 2.

The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are, among others:

- The expected volatility is 60%.
- The dividend growth rate 0%.
- Expected term - 2 years.

2. On January 14, 2021 the Group granted to one of its officers 500,000 options exercisable into 500,000 ordinary shares of the Company, NIS 0.01 par value each. The options are exercisable at a price of AUD 0.26 per share and will vest equally each month over a period of 3 years commencing July 1, 2020 with a 1-year cliff on July 1, 2021. Contractual life of the options is 10 years. The option value as of grant date is USD 0.12 per option. The fair value of share options was estimated by using a Black and Scholes model approach, which was aimed to model the value of the Company's assets over time.

The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are, among others:

- The expected volatility is 60%.
- The dividend growth rate 0%.
- Expected term - 10 years.

NUTRITIONAL GROWTH SOLUTIONS LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 3- SHAREHOLDERS' EQUITY (CONT.):

Share based payment (cont.):

3. On February 25, 2021, the Group has signed a two years agreement (the "Gavin Thomas Agreement") with Gavin Thomas, a leading Social Media Influence service provider which was introduced to the Group by Yoola. As part of the Gavin Thomas Agreement, Gavin Thomas was issued 250,000 share options, under the same terms of the Group's 2020 Share Incentive Plan in effect (the "ESOP"), fully vested and exercisable. The options are exercisable at a price of AUD 0.2731 per share. Gavin Thomas is also be entitled to fixed cash compensation and based on actual attributed sales.

The value of the service was estimated according to the fair value of the options

The option value as of grant date is 0.05 per option. The fair value of share options was estimated by using a Black and Scholes model approach, which was aimed to model the value of the Company's assets over time.

The service value is estimated based on the fair value options according to IFRS 2.

The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are, among others:

- The expected volatility is 60%.
- The dividend growth rate 0%.
- Expected term - 2 years.

NUTRITIONAL GROWTH SOLUTIONS LTD.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 3- SHAREHOLDERS' EQUITY (CONT.):

Share based payment (cont.):

The options to officers and consultants outstanding as of June 30, 2021 and 2020 are comprised, as follows:

	Six-month period ended June 30, 2021	
	Unaudited	
	Number of options	Weighted average Exercise price
Outstanding at beginning of year	12,300,002	\$ 0.02
Granted	1,000,000	\$ 0.21
Outstanding at end of period	13,300,002	\$ 0.03
Exercisable options	3,192,408	\$ 0.06
	Six-month period ended June 30, 2020 *	
	Unaudited	
	Number of options	Weighted average Exercise price
Outstanding at beginning of year	3,500,000	\$ 0.02
Granted	-	-
Outstanding at end of period	3,500,000	\$ 0.02
Exercisable options	1,860,419	\$ 0.02

*After giving effect to the issuance of bonus shares.

NOTE 4 - SUBSEQUENT EVENTS:

On August 1, 2021, the group received a notice by the US Small Business Administration (“the SBA”) in which it was stated that the SBA has waived on July 28, 2021 the PPP loan granted to the group on April 28, 2020.