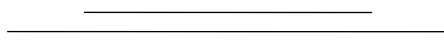


NIART SYSTEMS LTD.
2024 ANNUAL REPORT
AS OF DECEMBER 31, 2024

NIART SYSTEMS LTD.
2024 ANNUAL REPORT
AS OF DECEMBER 31, 2024

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Auditor's Report
to the Shareholders of
NIART SYSTEMS LTD.

We have audited the accompanying statement of financial position of NIART SYSTEMS LTD. ("the Company") as of December 31, 2024, and the statement of comprehensive loss, the statement of changes in equity and the statement of cash flows for the period from May 1 (commencement of the operation) to December 31, 2024. 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 generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 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 audit provides a reasonable basis for our opinion.

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, 2024, and the results of its operations, changes in equity and its cash flows for the period from May 1 (commencement of the operation) to December 31, 2024 in conformity with International Financial Reporting Standards (IFRS).

Tel-Aviv,
January 30, 2025


Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

NIART SYSTEMS LTD.
STATEMENT OF FINANCIAL POSITION

	Note	December 31 2024 NIS in thousands
A s s e t s		
CURRENT ASSETS:		
Cash and cash equivalents	4	31,349
Receivables on account of shares	1b	35,649
Government institutions		57
Prepaid expenses		28
Inventory	1b	428
Restricted deposits		385
		<u>67,896</u>
NON-CURRENT ASSETS:		
Fixed assets, net	1b, 2e	3,715
Right-of-use assets	6	1,643
Intangible assets, net	1b, 5	117,212
		<u>122,570</u>
TOTAL ASSETS		<u><u>190,466</u></u>
Liabilities and equity		
CURRENT LIABILITIES:		
Accounts payable		267
Other payables		1,148
Current maturities of lease liabilities	6	642
Payable upon joint venture agreement transaction	1b,7	2,686
Financial liability upon joint venture agreement transaction	1b,7	6,260
		<u>11,003</u>
LONG-TERM LIABILITIES:		
Lease liability	6	1,120
		<u>1,120</u>
TOTAL LIABILITIES		<u><u>12,123</u></u>
EQUITY:		
Share capital	1b,8 8	5
Share premium		91,257
Warrant		90,880
Accumulated loss		(3,799)
TOTAL EQUITY		<u>178,343</u>
TOTAL LIABILITIES AND EQUITY		<u><u>190,466</u></u>

Date of approval of the financial statements: January 30, 2025.


Chief Executive Officer
Shlomi Netzerel


Director
Haim Sobol

The accompanying notes are an integral part of the financial statements

NIART SYSTEMS LTD.
STATEMENT OF COMPREHENSIVE LOSS

		For the period from May 1 (commencement of the operation) to December 31,
	Note	2024
		NIS in thousands
RESEARCH AND DEVELOPMENT EXPENSES, NET	9	915
GENERAL AND ADMINISTRATIVE EXPENSES	10	2,699
MARKETING EXPENSES		<u>246</u>
OPERATING LOSS		3,860
 FINANCE INCOME		 (770)
FINANCE EXPENSES		<u>709</u>
FINANCIAL INCOME, NET	11	(61)
 LOSS AND COMPREHENSIVE LOSS		 <u><u>3,799</u></u>

The accompanying notes are an integral part of the financial statements

NIART SYSTEMS LTD.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	<u>Share capital</u>	<u>Share premium</u>	<u>Warrant</u>	<u>Accumulated loss</u>	<u>Total</u>
	<u>NIS in thousands</u>				
Balance as of May 1, 2024					
Change For the period from May 1(commencement of the operation) to December 31, 2024:					
Issuance of shares	5	91,257	-	-	91,262
Issuance of warrant	-	-	90,880	-	90,880
Loss	-	-	-	(3,799)	(3,799)
BALANCE AS OF DECEMBER 31, 2024	<u>5</u>	<u>91,257</u>	<u>90,880</u>	<u>(3,799)</u>	<u>178,343</u>

The accompanying notes are an integral part of the financial statements

NIART SYSTEMS LTD.
STATEMENT OF CASH FLOWS

**For the period
from May 1
(commencement
of the operation)
to December 31,
2024
NIS in thousands**

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	(3,799)
Adjustments required to reflect cash flows from operating activities	
Adjustments to income and loss items:	
Depreciation and amortizations	753
Finance expenses	15
Change in fair value measurement	(76)
Changes in operating assets and liabilities items:	
Increase in government institutions	(57)
Increase in prepaid expenses	(28)
Increase in accounts payable	267
Increase in other payables	1,148
Net cash used in operating activities	(1,777)

CASH FLOWS FROM INVESTING ACTIVITIES:

Payments upon joint venture agreement transaction	(18,533)
Change in payable upon joint venture agreement transaction	2,861
Deposits to a restricted cash	(385)
Acquisition of fixed assets	(183)
Research and development expenses capitalization	(6,510)
Net cash used in investing activities	(22,750)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from share issuance upon joint venture transaction (A)	56,188
Lease liability interest expenses paid	(57)
Lease liability principal amount paid	(144)
Net cash provided by financing activities	55,987

Foreign exchange on Cash and cash equivalents	(111)
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INCREASE IN CASH AND CASH EQUIVALENTS 31,349

FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS

BALANCE OF CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR -

BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF YEAR 31,349

The accompanying notes are an integral part of the financial statements

NIART SYSTEMS LTD.
STATEMENT OF CASH FLOWS

	For the period from May 1 (commencement of the operation) to December 31,
	2024
	<u>NIS in thousands</u>
A. Joint venture transaction	
Issuance of shares	93,687
Receivable on account of shares (undiscounted payments)	(37,499)
Total Cash received as of December 31,2024	<u>56,188</u>
Financial liability upon joint venture agreement transaction	24,121
Warrant issuance	90,880
Intangible Assets	110,551
Fixed assets	4,022
Inventory	428
B. Non-Cash transactions	
Initial recognition of Right-Of-Use asset with correspondent Lease liability	<u><u>1,880</u></u>

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS

(NIS IN THOUSANDS)

NOTE 1 - GENERAL:

- a) Niart Systems Ltd. (The “Company” or “Niart”) was incorporated in October 2023 and began its business operation on May 1, 2024. The Company engages in development, production and distribution globally, of obstacle detection solutions based on radar and optical technology for civil applications for various civil transportation industries including the railway industry.
- b) The Company was established based on a Joint Venture Agreement, dated August 30, 2023, entered between DCX Systems Limited, a company incorporated in India (“DCX”) and Elta Systems Ltd, an Israeli company (“Elta”), under which the Company shall develop, produce and distribute globally, obstacle detection solutions based on radar and optics technology (the “JV Agreement”). The closing of the JV Agreement occurred on April 21, 2024 (the “closing date” or “Closing”). The transactions under the JV Agreement are as follows:
- 1) An aggregate investment by DCX in the Company of US\$25,050 (NIS 93,687), in three installments, the first installment occurred in April 2024 amounted to \$10,000, the second installment occurred during the third quarter in the amount of \$5,050, and the third installment shall be paid within 12 months following the closing date. According to the JV Agreement, the Company issued to DCX, 450,900 ordinary shares, NIS 0.01 par value each. The Share issuance above were presented on a discounted basis in the total amount of NIS 91,262. As of December 31, 2024, the remaining installments were recorded as a financial asset in the financial statements, "Receivable on account of shares". The above asset is presented on a discounted basis, using an annual interest rate of 7.1%.
 - 2) Elta transferred to the Company its developed intellectual property (the “IP”) and other assets (fixed assets and inventory) valued at US\$24,950 (NIS 93,313) plus VAT. In addition, Elta charged the Company for estimated additional expenses valued at US\$6,700 (NIS 25,058) plus VAT, for the period from January 2022 until the closing of the JV Agreement. As of December 31, 2024, the financial liability upon joint venture agreement transaction amounted to NIS 6,260.
 - 3) As of May 1, 2024 (the commencement date of the operation) the IP (presented as part of the intangible assets) and the other assets (fixed assets and inventory) were accounted for under IFRS 3, and were measured at fair value based on a third-party appraiser (the “Assets Valuation Study”) in the Annual Consolidated Financial Statements. As of December 31, 2024, the Assets Valuation Study is final and no material changes had been made in comparison the previous periods. As part of the assets transfer and in exchange of those assets, the Company has granted Elta the Share Option (the “Warrant”).
 - 4) The Warrant gives Elta a right to purchase 449,100 ordinary shares of the Company, representing 49.9% of the Company's share capital on an issued and outstanding basis, The Warrant shall be valid and exercisable over a period of five years from the Closing. Elta shall be entitled, at its sole discretion, to exercise the Warrant during the option term. For accounting purposes, under IFRS 9, as of December 31, 2024, the Warrant has been recorded as an equity instrument as part of the equity in the Annual Consolidated Financial Statements.
 - 5) Elta shall transfer to the Company the employees who worked on the project prior to the closing of the JV Agreement.

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
(NIS IN THOUSANDS)

NOTE 1 - GENERAL (continued):

c) Definitions:

In this financial information:

The Company	-	Niart Systems Ltd.
Related parties	-	As defined by IAS 24.
Interested parties and controlling shareholders	-	As defined by the Israel Securities Law, 1968 and the regulations thereunder.
NIS	-	New Israeli Shekel
USD or \$	-	United States Dollars

- d) On October 7, 2023, the Hamas terror organization in the Gaza Strip launched a surprise attack against Israel. Following this attack, the Israeli government declared the Iron Swords war against Hamas. Later, Israel was also attacked from the north by the Hezbollah terror organization, and tension in other fronts has also been elevated.

As part of coping with threats posed during the Iron Swords War, the Israeli government evacuated dozens of the communities bordering Gaza and those along the Israel-Lebanon border, and imposed restrictions on gatherings, workplaces and educational activities subject to the guidelines of the Home Front Command. Additionally, many reservists were called in for prolonged active duty.

Those factors caused a slowing down of business activity in Israel, as a result of closing businesses, labor shortage and delays in the supply chain.

The Company believes that even in case of a prolonged war and slowing down of economic activity in Israel, the Company will be able to meet its existing liabilities As of December 31, 2024 and, as a result, continue operating according to its existing strategy.

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
(NIS IN THOUSANDS)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

a. Basis of preparation of the financial information:

As to these financial statements, note as follows:

1. The significant accounting policies described in the specific notes have been consistently applied to the period presented, unless otherwise is indicated.
2. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Note 3 discloses areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have significant impact on financial statements.
3. The Company's operating cycle is 12 months.

b. Functional and presentation currency

The Company's functional currency and the presentation currency of the financial statements is NIS.

Foreign currency transactions, assets and liabilities

Foreign currency transactions are recorded upon initial recognition using the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency using the exchange rates at the balance sheet date. Exchange differences are recognized in the income statement under "finance income" or "finance expenses". Non-monetary assets and liabilities presented at cost are translated using exchange rates at the date of the transaction.

c. Cash and cash equivalents

Cash and cash equivalents are highly-liquid investments, including unrestricted, short-term bank deposits with original maturity of not more than three months.

d. Financial instruments

Financial assets

Financial assets within the scope of the standard are measured upon initial recognition at their fair values plus transaction costs directly attributable to the acquisition of the financial assets, except when a financial asset is measured at fair value through profit or loss for which transaction costs are recognized in profit or loss.

The Company classifies and measures the debt instruments in its financial statements using the following criteria:

- (1) The Company's business model for managing the financial assets, and
- (2) The contractual cash flow characteristics of the financial asset.

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
(NIS IN THOUSANDS)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

The Company measures debt instruments at amortized cost when:
The financial assets are held within a business model whose objective is to hold financial assets to collect contractual cash flows; and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are classified as current assets, excluding maturities for a period of no more than 12 months after the date of statement of financial position, which are classified as non-current assets.

As of December 31, 2024, the Company has only financial assets at amortized cost, under "cash and cash equivalents" and "receivable on account of Shares" items in the statement of financial position.

Financial liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost. Management determines classification of financial liabilities on the date of their initial recognition.

Trade payables and other financial liabilities that are included in the "accounts payable" item are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Options allocated to investors and are exercisable into a currency that is different than the Company's functional currency, represent a financial liability under IAS 32 "Financial Instruments: Presentation". Since that liability is a non-equity derivative financial instrument, it is classified under IFRS 9 into financial liability at fair value through profit or loss, which is measured at fair value at each date of statement of financial position, with changes in its fair value is regularly recognized in profit or loss. Costs that can be directly attributed to such transactions are recognized in profit or loss as incurred.

e. Fixed Assets

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

Depreciation of property, plant and equipment is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgement and calculated on a straight-line basis over the useful lives of the assets at annual rates as follows:

	%
Computers	33
Lab and electronic equipment	15

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
(NIS IN THOUSANDS)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

f. Intangible assets (including Research and development expenditures):

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Research expenditures are recognized in profit or loss when incurred.

According to IAS 38, *Intangible Assets*, An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the respective amount of expenses that should be capitalized to an asset during its development.

The asset is measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. The asset is amortized over its useful life. Testing of impairment is performed annually over the period of the development project.

As of December 31, 2024, the Company did not finalize yet the development.

Based on management discretion, all the criteria for recognition described above were met, therefore, as for the period from May 1, 2024 (commencement of the operation) to December 31, 2024, development expenditures were capitalized, amounted to NIS 6,510, and presented as part of the Intangible assets in the Annual consolidated Financial Position.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Amortization is calculated on a straight-line basis over the useful life of the assets as follows:

	<u>Years</u>
Goodwill	Indefinite useful life
Technology	13 Years*)

*) The amortization schedule has not started yet. See also note 5.

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
(NIS IN THOUSANDS)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a after-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss. An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

The following criteria are applied in assessing impairment of Goodwill and other intangible assets. The Company reviews goodwill and other intangible assets for impairment once a year, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill and other intangible assets are tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill and other intangible assets have been allocated. The Company identified its operation as a sole cash generating unit. An impairment loss is recognized if the recoverable amount of the cash-generating unit which goodwill and other intangible assets have been allocated is less than the carrying amount of the cash-generating unit. Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
(NIS IN THOUSANDS)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Leases

The Company initially adopted IFRS 16, "Leases" (the "Standard"), commencing from August 1, 2024, as of the lease start date.

According to the Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a fixed period in exchange for consideration.

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value.

For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has not elected to apply the practical expedient in the Standard and separated the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate (the "IBR", the Company used an annual IBR rate of 7.5%). After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and amortized over the shorter of its useful life and the lease term. The periods of amortization is for Land and buildings - 3 years;

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
(NIS IN THOUSANDS)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

h. Taxes on Income

The tax results in respect of current or deferred taxes are carried to the statement of income except to the extent that the tax arises from items which are recognized directly in shareholders' equity or other comprehensive income.

1) Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the date of the statement of financial position as well as adjustments required in connection with the tax liability in respect of previous years.

2) Deferred taxes

The Company recognizes deferred income tax using the liability method, in respect of temporary differences between the amounts of assets and liabilities as reported in the financial statements and those considered for tax purposes. The amount of deferred taxes is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognized for temporary differences that are tax deductible, up to the amount of the differences that are expected to be utilized in the future, against taxable income. Deferred tax assets and liabilities are set off if, and only if:

there is a legally enforceable right to set off current tax assets and liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either: the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

The company recognizes deferred income tax assets in respect of temporary differences deductible for tax purposes, arising from investment in subsidiaries, associates and rights in joint ventures, if and only if the temporary difference are expected to be reversed in the foreseeable future and to the that future taxable profit will be available against which the temporary differences can be utilized.

In the absence of expected taxable income in the foreseeable future, no deferred tax asset was recognized in the accounts of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

h. New standards:

1) Amendment to IAS 1 "Presentation of Financial Statements – Disclosure of Accounting Policies"

Beginning in the date of commencement of the operation, the Company applies the Amendment to IAS 1, Presentation of Financial Statements regarding disclosures of accounting policies (hereinafter – the "Amendment"). According to the Amendment, financial reporting must disclose material accounting policies, which replaces the requirement to disclose significant accounting policies.

The Amendment determines that accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The Amendment also clarifies that accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements.

Additionally, the amendment clarifies that there is no need to disclose immaterial accounting policy information. The impact of said Amendment shall be initially expressed in the note of material accounting policies in the 2024 annual reports.

2) Amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

Beginning January 2023, the Company applies the amendment to IAS 8 "Accounting policies, changes in accounting estimates and errors" (hereinafter – the "Amendment"). The Amendment defines accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarifies the difference between accounting estimate and change in accounting estimate. The Amendment is intended to help in distinguishing between changes in accounting estimates, which are applied prospectively, from changes in accounting policies, which are mostly applied retrospectively.

Initial application of the Amendment is not expected to have material impact on the Company's financial position and results of operations.

3) Amendment to IAS 1 "Presentation of Financial Statements", "Classification of Liabilities as Current or Non-current" and "Non-current Liabilities with Covenants"

In January 2020 the IASB published an amendment to IAS 1 "Presentation of financial statements", dealing with the classification of liabilities as current or non-current. In October 2022, another amendment was published in relation to liabilities with financial covenants, guiding entities whether to classify them as current or non-current liabilities (hereinafter: the "Amendment").

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
(NIS IN THOUSANDS)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

The Amendment clarifies that the classification of liabilities as current or non-current is only derived from the rights given to the entity as of the end of reporting period. Accordingly, liabilities will be classified as non-current if the entity has a right, as of reporting period-end, to defer settlement of a liability for at least 12 months after reporting period-end. Additionally, the Amendment clarifies that this conclusion may not be affected by management's expectations about whether the entity will exercise that right to defer settlement of the liability. It is also makes clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. Additionally, in circumstances where a counterparty has an option to demand settlement with equity instruments of the entity (such as bonds convertible at call), then this condition does not affect the classification of liabilities as current or non-current if the option qualifies for classification in equity.

Regarding liabilities with covenants, the Amendment clarifies that their classification is determined only on the basis of the financial covenants that the entity is required to comply with at or before the end of the reporting period, and that classification is not affected by the existence of financial covenants that the entity is required to comply with after the end of the reporting period.

The Amendment clarifies that when an entity has a liability in respect of which it is required to comply with financial covenants in the 12 months after the end of the reporting period and this liability is classified as non-current, disclosure must be given in the notes, allowing users of the financial statements to understand the risk embedded in the liability being called in the 12 months after the end of the reporting period.

The Company adopted retrospectively beginning on or after January 1, 2024.

The Company's first-time Amendment adoption had not materially affected the classification of liabilities in the Company's statement of financial position.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Capitalization of development costs

Management is required to assess whether the conditions exist for recognizing the costs of a development project as intangible assets. The Company believes that as of December 31, 2024, the conditions for recognizing the costs of development projects as intangible assets were met.

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
(NIS IN THOUSANDS)

NOTE 4 – CASH AND CASH EQUIVALENTS

Composition:

	December 31, 2024
	NIS in thousands
NIS	5,547
US Dollar	25,643
Euro	159
	31,349

NOTE 5 – INTANGIBLE ASSETS, NET

	Goodwill	Technology*)	Total
	NIS in thousands		
<u>Cost</u>			
Balance as of May 1, 2024	71,329	39,373	110,702
Additions during the period	-	6,510	6,510
PPA adjustments during measurement period	-	-	-
Balance ad of December 31, 2024	71,329	45,883	117,212

*) In process Research and Development, including Research and Development expenditures capitalization. The amortization schedule has not yet started.

Goodwill and intangible assets amortization and impairment:

The Company performed a full study (the “Analysis”) in order to test impairment, by an independent third-party appraiser. According to the Analysis, the recoverable amounts of the intangible assets and the goodwill derived from the cash generating units were determined based on the value in use which is calculated at the expected estimated future cash flows, as determined according to the budget for the next five years and approved by the Company’s management. The after-tax discount rate of the cash flows used in the Analysis is 21 %. Based on the Analysis performed, the Company has determined that the recoverable amounts of the cash generating units exceeds its assets carrying amount. In addition, there is no reasonably possible change in any of the significant assumptions that would cause the carrying amount exceed its recoverable amount.

For the year ended December 31, 2024, the Company did not record an impairment on any intangible assets or goodwill.

During the year ended on December 31, 2024, the Company did not amortize, as the development phase did not finish yet.

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
(NIS IN THOUSANDS)

NOTE 6 – LEASES

On July 18, 2024, the Company entered into a lease agreement of offices (The “lease agreement”), 688 square meters, starting from August 1, 2024, for a period of 24 months, expiring on July 31, 2026, with a renewal option for an additional 12 months, until July 31, 2027. The rent fees will amount to NIS 80 per square meter (excluding the linkage), excluding the building management fees and the parking rent fees which will amount to NIS 16.5 (excluding the linkage) per square meter and NIS 550 (excluding the linkage) per parking slot, respectively, as defined in the lease agreement. The Company initially recognized a Right-Of-Use asset and a correspondent lease liability per IFRS 16 standard, Leases.

NOTE 7 – RELATED PARTY BALANCES AND TRANSACTIONS

a. Balances with related parties

	As of December 31, 2024
<u>Assets:</u>	
Receivable on account of shares	35,649
<u>Liabilities:</u>	
Payable upon joint venture agreement transaction	2,686
Financial liability upon joint venture agreement transaction	6,260
	8,946

b. Transactions with related parties

	For the period from May 1 (commencement of the operation) to December 31, 2024
Finance expenses, net	76

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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NOTE 8 – SHARE CAPITAL

Composition of share capital as of December 31, 2024:

	Number of shares	
	Authorized	Issued and outstanding
Ordinary shares NIS 0.01 par value	500,000	450,900

Ordinary Shares confer to the holders the right to receive notice to participate and vote in general meetings of the Company and the right to receive dividends, if declared.

NOTE 9 – RESEARCH AND DEVELOPMENT

	For the period from May 1 (commencement of the operation) to December 31, 2024 NIS in thousands
Depreciation	576
Management fees related to lease	96
Welfare	110
Office maintenance	84
Other expenses	49
	<u>915</u>

NOTE 10 – GENERAL AND ADMINISTRATIVE EXPENSES

	For the period from May 1 (commencement of the operation) to December 31, 2024 NIS in thousands
Salary and related expenses	1,806
Depreciation	177
Management fees related to lease	30
Welfare	34
Professional Services	166
Travel abroad	302
Office maintenance	26
Other expenses	158
	<u>2,699</u>

NIART SYSTEMS LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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NOTE 11 – FINANCE INCOME, NET

a. Finance Income

	For the period from May 1 (commencement of the operation) to December 31, 2024
	NIS in thousands
Fair value measurement	76
Interest from bank deposits	694
	<u>770</u>

b. Finance Expenses

	For the period from May 1 (commencement of the operation) to December 31, 2024
	NIS in thousands
Interest and bank fees	12
Exchange rate differences	640
Financing expenses related to lease liability	57
	<u>709</u>

NOTE 12 – TAXES ON INCOME:

The income of the Company is liable to the normal corporate tax rate at 23%.

A corporation is liable to real capital gains tax at the corporate tax rate beginning on the year of disposal.

According to the law, the statute of limitations for self-assessments filed by taxpayers was set to four years after the end of the tax year in which the assessment was filed. Therefore, such self-assessments that have been filed by the Company since its incorporation are not considered final.

Carryforward losses amount to NIS 5.1 million as of December 31, 2024.