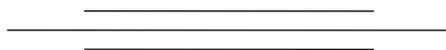


NIART SYSTEMS LTD.
2025 ANNUAL REPORT
AS OF DECEMBER 31, 2025

NIART SYSTEMS LTD.
2025 ANNUAL REPORT
AS OF DECEMBER 31, 2025

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

We have audited the accompanying statements of financial position of NIART SYSTEMS LTD. ("the Company") as of December 31, 2025 and 2024, and the statements of comprehensive loss, the statements of changes in shareholders' equity and the statements of cash flows for the year ended December 31, 2025 and for the period from May 1, 2024 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, 2025 and 2024, and the results of its operations, changes in shareholders' equity and its cash flows for the year ended December 31, 2025 and for the period from May 1, 2024 to December 31, 2024, in conformity with IFRS Accounting Standards.

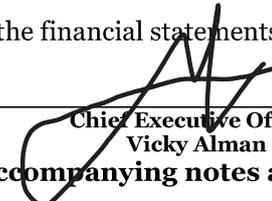
Tel-Aviv,
January 29, 2026


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

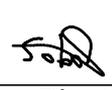
NIART SYSTEMS LTD.
STATEMENT OF FINANCIAL POSITION

	Note	December 31 2025	December 31 2024
		NIS in thousands	NIS in thousands
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	4	37,273	31,349
Receivables on account of shares	1b	-	35,649
Inventory	1b	428	428
Other receivables	5	349	85
Restricted deposits		389	385
		38,439	67,896
NON-CURRENT ASSETS:			
Fixed assets, net	1b, 2e	3,270	3,715
Right-of-use assets	7	865	1,643
Intangible assets, net	1b, 7	135,008	117,212
		139,143	122,570
TOTAL ASSETS		177,582	190,466
Liabilities and equity			
CURRENT LIABILITIES:			
Accounts payable		1,170	267
Other payables	6	1,228	1,148
Current maturities of lease liabilities	8	708	642
Payable upon joint venture agreement transaction	1b,9	-	2,686
Financial liability upon joint venture agreement transaction	1b,9	-	6,260
		3,106	11,003
LONG-TERM LIABILITIES:			
Lease liability	8	437	1,120
TOTAL LIABILITIES		3,543	12,123
EQUITY:			
Share capital	1b,10 10	5	5
Share premium		91,257	91,257
Warrant		90,880	90,880
Share-based reserve		8,964	-
Accumulated loss		(17,067)	(3,799)
TOTAL EQUITY		174,039	178,343
TOTAL LIABILITIES AND EQUITY		177,582	190,466

Date of approval of the financial statements: January 29, 2026.



Chief Executive Officer
Vicky Alman



Director
Haim Sobol

The accompanying notes are an integral part of the financial statements

NIART SYSTEMS LTD.
STATEMENTS OF COMPREHENSIVE LOSS

	Note	For the year ended December 31,	For the period from May 1 (commencement of the operation) to December 31,
		2025	2024
		NIS in thousands	NIS in thousands
RESEARCH AND DEVELOPMENT EXPENSES, NET	11	1,823	915
GENERAL AND ADMINISTRATIVE EXPENSES	12	7,170	2,699
MARKETING EXPENSES		687	246
OPERATING LOSS		<u>9,680</u>	<u>3,860</u>
OTHER INCOME		(82)	-
FINANCIAL INCOME	13	(3,094)	(770)
FINANCIAL EXPENSES	13	6,764	709
FINANCIAL EXPENSES (INCOME), NET		3,670	(61)
LOSS AND COMPREHENSIVE LOSS		<u><u>13,268</u></u>	<u><u>3,799</u></u>

The accompanying notes are an integral part of the financial statements

NIART SYSTEMS LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	<u>Share capital</u>	<u>Share premium</u>	<u>Warrant</u>	<u>Share based reserve</u>	<u>Accumulated loss</u>	<u>Total</u>
	NIS in thousands					
Balance as of May 1, 2024						
Changes 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>-</u>	<u>(3,799)</u>	<u>178,343</u>
Changes For the year ended December 31, 2025:						
Stock-based compensation	-	-	-	8,964	-	8,964
Loss	-	-	-	-	(13,268)	(13,268)
BALANCE AS OF DECEMBER 31, 2025	<u>5</u>	<u>91,257</u>	<u>90,880</u>	<u>8,964</u>	<u>(17,067)</u>	<u>174,039</u>

The accompanying notes are an integral part of the financial statements

NIART SYSTEMS LTD.
STATEMENTS OF CASH FLOWS

	For the year ended December 31,	For the period from May 1 (commencement of the operation) to December 31,
	2025	2024
	NIS in thousands	NIS in thousands
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(13,268)	(3,799)
Adjustments required to reflect cash flows from operating activities		
Adjustments to income and loss items:		
Depreciation and amortizations	1,343	753
Other income	(82)	-
Share-based payment expenses	3,633	-
Finance expenses	5,213	15
Change in fair value measurement	(1,543)	(76)
Changes in operating assets and liabilities items:		
Increase in Other receivables	117	(85)
Increase in accounts payable	935	267
Increase in other payables	80	1,148
Interest proceeds from bank deposits	1,546	-
Net cash used in operating activities	(2,026)	(1,777)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Financial liability upon joint venture agreement transaction	(6,022)	-
Payments upon joint venture agreement transaction	-	(18,533)
Change in payable upon joint venture agreement transaction	(2,718)	2,861
Deposits to a restricted cash	-	(385)
Acquisition of fixed assets	(356)	(183)
Research and development expenses capitalization	(12,465)	(6,510)
Net cash used in investing activities	(21,561)	(22,750)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from share issuance upon joint venture transaction (A)	-	56,188
Payments received on account of shares	35,400	-
Lease liability interest expenses paid	(654)	(57)
Lease liability principal amount paid	(108)	(144)
Net cash provided by financing activities	34,638	55,987
Foreign exchange on Cash and cash equivalents	(5,127)	(111)
INCREASE IN CASH AND CASH EQUIVALENTS	5,924	31,349
BALANCE OF CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	31,349	-
BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF YEAR	37,273	31,349

The accompanying notes are an integral part of the financial statements

NIART SYSTEMS LTD.
STATEMENT OF CASH FLOWS

	For the year ended December 31,	For the period from May 1 (commencement of the operation) to December 31,
	2025	2024
	NIS in thousands	NIS in thousands
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	-	56,188
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 Receivable on account of lease asset with correspondent to disposal of Right-of-use asset	356	-
Initial recognition of Right-Of-Use asset with correspondent Lease liability	-	1,880
R&D Capitalization of share-based compensation expenses	5,331	-
	5,331	-

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 of 2024 in the amount of \$5,050, and the third and the last installment occurred during the third quarter of 2025.
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.
 - 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.
 - 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, 2025, the Assets Valuation Study is final, and no material changes had been made in comparison with 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, 2025, the Warrant has been recorded as an equity instrument as part of the equity in the Annual Consolidated Financial Statements.
 - 5) Elta has transferred 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, following a brutal and deadly surprise attack by the Hamas terrorist organization from the Gaza Strip on southern Israel, the Government of Israel declared a state of war named “the Iron Swords,” which was later renamed the “War of Revival” (the “War”). Following this attack, tensions escalated on additional fronts, and during the years 2023 through 2025, Israel was directly attacked on several occasions by Iran and by various militias operating in the Middle East in cooperation with Iran (including the Houthis operating from Yemen and Hezbollah).

In response to these attacks, the Israel Defense Forces (“IDF”) launched a large-scale military operation in the Gaza Strip aimed at dismantling Hamas’s military infrastructure, removing Hamas’s rule in the Gaza Strip, and securing the return of Israeli hostages abducted by Hamas on October 7, 2023. In August 2024, the IDF also launched military operations against Hezbollah in Lebanon. In addition, in response to several missile attacks on Israel carried out by Iran and Iran-affiliated militias, the IDF conducted several strikes against targets in Iran and Yemen.

Subsequently, considering the increasing threat posed by Iran and in order to delay Iran’s nuclear program, the IDF carried out “Rising lion” operation, which commenced on June 13, 2025 and lasted approximately two weeks, during which Israel attacked Iran’s principal nuclear facilities as well as senior members of Iran’s defense establishment and Iranian nuclear scientists. In response, Iran launched thousands of unmanned aerial vehicles and ballistic missiles toward Israel, causing civilian casualties and significant damage to property. On June 22, 2025, the United States joined the campaign and carried out strikes on Iranian nuclear facilities in Fordow. Two days later, a ceasefire between Israel and Iran was reached through U.S. mediation.

In November 2024, a ceasefire agreement was signed between Israel and Lebanon, and in January 2025 the State of Israel reached an arrangement with Hamas regarding a cessation of hostilities in the Gaza Strip, which was intended to be implemented in stages and pursuant to which some of the hostages were returned to Israel. As noted above, on June 24, 2025, a ceasefire agreement with Iran was reached, bringing “Rising lion” operation to an end. On October 9, 2025, a U.S.-mediated ceasefire agreement was reached with Hamas in the Gaza Strip, under which all remaining living hostages and most of the bodies of fallen soldiers and

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

NOTE 1 - GENERAL (continued):

civilians were returned to Israel. Following the achievement of these arrangements, there has been a gradual de-escalation of military activity in northern and southern Israel and on other fronts of the conflict. However, these arrangements do not constitute a complete end to the War, and hostilities may resume in the future.

As a result of the attacks against the State of Israel, in October 2023 the Israeli government ordered the evacuation of dozens of communities located in southern Israel near the Gaza Strip and in northern Israel along the border with Lebanon. In addition, throughout the War period, particularly during the fourth quarter of 2023 and the first half of 2024, the Israeli government intermittently imposed various restrictions on public gatherings, workplace activities, and educational activities, in accordance with directives issued by the Home Front Command. Furthermore, throughout the War period, many civilians were called up for extended periods of reserve military service.

These military events resulted in a contraction and slowdown of business activity in Israel, due, among other factors, to business closures, labor shortages, and disruptions to supply chains. In addition, because of the prolonged War and its effects on the Israeli economy, international credit rating agencies downgraded the credit ratings of the State of Israel and of Israel's major banks on several occasions.

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, 2025 and, as a result, continue operating according to its existing strategy.

- e) The increase in inflation rates in various countries around the world in recent years led central banks to implement significant monetary tightening measures, resulting in higher interest rates across most global economies. During the years 2024 and 2025, some central banks worldwide began to moderately reduce interest rates.

In parallel with the decline in global interest rates, the Bank of Israel reduced its policy interest rate by 0.25% in January 2024 to 4.5%, by an additional 0.25% in November 2025 to 4.25%, and again by 0.25% in January 2026 to a level of 4%.

As of December 31, 2025, these changes do not have a material impact on the Company's results.

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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

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, 2025 and 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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

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, 2025, 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, 2025, development expenditures were capitalized, amounted to NIS 24,306, and presented as part of the Intangible assets in the Annual consolidated Financial Position.

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.

Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets with finite useful lives whenever events or changes in circumstances indicate that the carrying amount is not recoverable. This assessment does not apply to non-financial assets with indefinite useful lives, such as goodwill, which are tested for impairment annually, and whenever there is an indication of impairment, regardless of whether such indicators exist. 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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

g. Share-based payment

Employees of the Company are entitled to benefits in the form of share-based payments settled in equity instruments.

The cost of equity-settled share-based payment transactions is recognized in profit or loss, together with a corresponding increase in equity, over the period during which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become entitled to the award (the "vesting period"). The cumulative expense recognized in respect of equity-settled share-based payment transactions at the end of each reporting period up to the vesting date reflects the passage of the vesting period and the Company's best estimate of the number of equity instruments that will ultimately vest.

Expenses for grants that ultimately do not vest are not recognized, except for grants whose vesting is conditional on a market condition, which are treated as having vested regardless of whether the market condition is met, provided that all other vesting conditions (service and/or performance) are satisfied.

When the Company makes modifications to the terms of an equity-settled grant, any incremental fair value expense arising from the modification is recognized in addition to the original expense, reflecting any increase in the total fair value of the grant or any benefit to the employee/service provider based on the fair value at the modification date.

The cancellation of an equity-settled award is treated as if it vested on the cancellation date, and any unrecognized expense relating to the grant is recognized immediately. However, if a cancelled grant is replaced with a new grant that is intended to be a substitute grant as of the original grant date, both the cancelled grant and the new grant are treated as a modification of the original grant, as described above.

h. 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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

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;

i. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

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.

j. New standards:

International Financial Reporting Standard 18 – Presentation and Disclosure in Financial Statements (hereinafter: IFRS 18)

IFRS 18 replaces International Accounting Standard 1 – Presentation of Financial Statements (hereinafter: IAS 1), with many of the requirements of IAS 1 being transferred to IFRS 18, as well as to several other International Financial Reporting Standards (IFRS). IFRS 18 is intended to improve the way entities communicate information to investors through their financial statements, particularly to enhance transparency and comparability between entities, with a focus on information regarding financial performance in the statement of profit or loss. IFRS 18 is also accompanied by amendments to other IFRS, including International Accounting Standard 7 – Statement of Cash Flows (IAS 7) (for example, regarding the classification of cash flows from interest and dividends), International Accounting Standard 33 – Earnings per Share (IAS 33), and International Accounting Standard 34 – Interim Financial Reporting (IAS 34).

The key new principles under IFRS 18 relate to the following areas:

1. Structure of the Statement of Profit or Loss - Under IFRS 18, items in the statement of profit or loss are classified into one of five categories: operating, investing, financing, income taxes, and discontinued operations. IFRS 18 provides guidance on classifying items among these categories. In addition, under IFRS 18, entities are required to present certain subtotals in the statement of profit or loss as specified in the Standard.
2. Disclosure of “Management-Defined Performance Measures” (MPMs) - MPMs are intermediate measures of income and expenses that an entity uses in external communication outside the financial statements to convey management’s perspective on a particular aspect of the entity’s overall financial performance, except for certain exclusions.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

3. Principles for Aggregation and Disaggregation of Information – Guidance is provided on how information should be grouped and presented in the primary financial statements or in the notes.

As part of the transition requirements, IFRS 18 requires that in the first annual financial statements applying the Standard, an entity presents a reconciliation of each line item in the statement of profit or loss for the comparative year preceding the adoption of the Standard, showing the amounts restated under IFRS 18 compared to the amounts previously presented under IAS 1. A similar reconciliation is required in

interim financial statements in the first year of application for the current and cumulative periods of the comparative year preceding adoption of the Standard.

In accordance with IFRS 18, the Standard will be applied by the Company/Group for annual reporting periods beginning on January 1, 2027, on a retrospective basis. Early adoption is permitted. The Company is currently assessing the impact of IFRS 18 on its financial statements, but at this stage, the impact of first-time adoption cannot be reasonably estimated.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Capitalization of research and 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, 2025, the conditions for recognizing the costs of development projects as intangible assets were met.

NOTE 4 – CASH AND CASH EQUIVALENTS

Composition:

	December 31, 2025 NIS in thousands	December 31, 2024 NIS in thousands
NIS	1,014	5,547
US Dollar	36,018	25,643
Euro	241	159
	<u>37,273</u>	<u>31,349</u>

NOTE 5 – OTHER RECEIVABLES

Composition:

	December 31, 2025 NIS in thousands	December 31, 2024 NIS in thousands
Government Institutions	133	57
Receivables on account of lease	191	-
Prepaid expenses	23	28
Other receivables	2	-
	<u>349</u>	<u>85</u>

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

NOTE 6 – OTHER PAYABLES

Composition:

	December 31, 2025 NIS in thousands	December 31, 2024 NIS in thousands
Employees and related institutions	1,203	1,122
Withholding tax from suppliers	-	4
Credit Cards	25	22
	1,228	1,148

NOTE 7 – 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
Balance ad of December 31, 2024	71,329	45,883	117,212
Additions during the period	-	17,796	17,796
Balance ad of December 31, 2025	71,329	63,679	135,008

*) 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 to exceed its recoverable amount.

For the year ended December 31, 2025, the Company did not record an impairment on any intangible assets or goodwill.

During the year ending on December 31, 2025, the Company did not amortize the intangible asset (Technology), as the development phase did not finish yet.

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

NOTE 8 – 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 9 – RELATED PARTY BALANCES AND TRANSACTIONS

a. Balances with related parties

	As of December 31, 2025	As of December 31, 2024
<u>Assets:</u>		
Receivable on account of shares	-	35,649
Receivable on account of lease	191	-
Other receivables	2	-
	193	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 year ended December 31, 2025	For the period from May 1 (commencement of the operation) to December 31, 2024
Other income	82	-
Finance expenses, net	1,729	(76)

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

NOTE 10 – SHARE CAPITAL

A) Composition of share capital as of December 31, 2025:

	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.

B) Share-based reserve

In July 2025, the Company’s Board of Directors approved an employee stock option plan (the “2025 Plan”), under which options representing 10% of the Company’s issued and outstanding share capital were granted to employees. Each option is exercised in one ordinary share of NIS 1 par value. The ordinary shares issued upon exercise of the options shall be identical in all respects to the Company’s existing ordinary shares as of their issuance date.

Employees will be entitled to exercise their options upon completion of the following vesting periods, which commence from the employee’s employment start date: 25% of the options shall vest upon the first anniversary of the employee’s employment start date, and the remaining 75% shall vest on a straight-line basis over the following three years (25% per year).

The options are exercisable for up to 10 years from the grant date. Any option not exercised by the end of that period shall expire. The exercise price of the options is NIS 0.01 per share (non-index linked).

In July 2025, a total of 65,500 options were granted to the Company’s employees in accordance with the terms of the 2025 Plan described above.

The theoretical fair value of each option at the grant date was determined using the Black-Scholes option pricing model, based on the following assumptions (as of the grant date in July 2025):

Expected dividend yield	0%
Expected volatility	46.3%
Risk-free interest rate	4.1%–4.22%
Expected term to exercise	10 years

The expected volatility was determined based on the historical volatility of the Company’s share price over periods corresponding to the expected life of the option until exercise.

The total share-based compensation expenses recognized in profit or loss during the reporting period amounted to NIS 3,633 thousand, while an additional amount of NIS 5,331 thousand was capitalized to an asset as part of research and development (R&D) capitalization.

A portion of the total benefit recognized, amounting to 7,821 NIS thousand, relates to the vesting of options that were granted to employees with vesting periods commencing from their employment start date, including service periods prior to the formal approval of the 2025 Plan. Of this amount, 4,484 NIS thousand was capitalized as an asset in respect of the capitalization of research and development expenses.

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

NOTE 11 – RESEARCH AND DEVELOPMENT EXPENSES

	For the year ended December 31,	For the period from May 1 (commencement of the operation) to December 31,
	2025	2024
	NIS in thousands	NIS in thousands
Depreciation	1,110	576
Management fees related to lease	145	96
Welfare	290	110
Office maintenance	169	84
Other expenses	109	49
	<u>1,823</u>	<u>915</u>

NOTE 12 – GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31,	For the period from May 1 (commencement of the operation) to December 31,
	2025	2024
	NIS in thousands	NIS in thousands
Salary and related expenses	2,267	1,806
Share-based compensation	3,633	-
Depreciation	233	177
Management fees related to lease	31	30
Welfare	61	34
Professional Services	518	166
Travel abroad	265	302
Office maintenance	36	26
Other expenses	126	158
	<u>7,170</u>	<u>2,699</u>

NOTE 13 – FINANCE INCOME, NET

a. Finance Income

	For the year ended December 31,	For the period from May 1 (commencement of the operation) to December 31,
	2025	2024
	NIS in thousands	NIS in thousands
Fair value measurement	1,543	76
Interest from bank deposits	1,546	694
Interest from government institutions	5	-
	<u>3,094</u>	<u>770</u>

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

NOTE 13 – FINANCIAL INCOME, NET (continued):

b. Finance Expenses

	For the year ended December 31, 2025	For the period from May 1 (commencement of the operation) to December 31, 2024
	NIS in thousands	NIS in thousands
Interest and bank fees	6	12
Exchange rate differences	6,673	640
Financing expenses related to lease liability	85	57
	6,764	709

NOTE 14 – 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 22 million as of December 31, 2025.