

KTEK LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2025

KTEK LTD.

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Independent Auditors' Statement to Shareholders of KTEK LTD.

Opinion

We have audited the accompanying consolidated financial statements of KTEK LTD. (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2025, 2024 and 2023, the related consolidated statements of comprehensive loss, changes in shareholders deficit and cash flows for the two years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, 2024, and 2023, and its financial performance, the changes in shareholders deficit and its cash flows for the three years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in Israel, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1C in the consolidated financial statements, which indicated that the Company incurred a net loss of USD 1,418 thousand during the year ended December 31, 2025, and generated USD 1,763 thousand of accumulated losses since inception. As described in Note 1B, the Group plans to overcome these conditions, among others, expects to raise funds in 2026 through an IPO at the ASX. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Responsibilities of the management and directors for the Financial Statements

The directors and the management of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management and the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the management and the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audits of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audits conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of the audits in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audits procedures responsive to those risks, and obtain audits evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audits procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audits evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audits evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audits findings, including any significant deficiencies in internal control that we identify during our audits.

Keren Raviv
Partner
Tel-Aviv, Israel
April 6, 2026

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



KTEK LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
ASSETS				
Current assets:				
Cash and cash equivalents		57	11	-
Short-term deposit		27	-	-
Trade receivables		1,068	1,293	303
Other receivables		157	15	81
Related party	17	599	434	140
Inventory	4	228	359	21
Total current assets		<u>2,136</u>	<u>2,112</u>	<u>545</u>
Non-current assets:				
Fixed asset, net	5	244	287	253
Right of use asset, net	6	116	122	-
Restricted marketable securities		59	7	2
Total non-current assets		<u>419</u>	<u>416</u>	<u>255</u>
TOTAL ASSETS		<u>2,555</u>	<u>2,528</u>	<u>800</u>


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

KTEK LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

	<u>Note</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current liabilities:				
Bank overdraft		32	17	26
Short-term loans and Current Maturity of				
Long-Term Loans	8	2,553	705	357
Trade payables	7	812	1,083	105
Short term lease liabilities	6	57	34	-
Deferred revenues		26	205	-
Other payables		583	318	192
Total current liabilities		<u>4,063</u>	<u>2,362</u>	<u>679</u>
Non-current liabilities:				
Long term lease liability	6	82	91	-
Deferred revenues		-	11	-
Accrued severance pay		52	39	36
Long term loans	8	98	377	333
Total non-current liabilities		<u>232</u>	<u>518</u>	<u>369</u>
TOTAL LIABILITIES		4,295	2,880	1,048
Shareholders' deficiency:				
Share capital and premium	9	(*)	(*)	(*)
Foreign Currency Translation Reserve		23	(7)	-
Accumulated losses		(1,763)	(345)	(248)
Total shareholders' deficiency		<u>(1,740)</u>	<u>(352)</u>	<u>(248)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		2,555	2,528	800

(*) Less than 1 thousand USD

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



Dekel Keisar
Chief Executive Officer



Ehud Helzinger
Chief Financial Officer

April 6, 2026

Date of approval of financial
statements

KTEK LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(US Dollar in thousands)

	Note	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Revenue	10	3,305	1,954	769
Cost of revenue	11	2,874	1,149	414
Gross profit		<u>431</u>	<u>805</u>	<u>355</u>
Research and development	12	317	278	45
Selling and marketing	13	182	68	46
General and administrative	14	909	409	229
Operating Income (Loss)		<u>(977)</u>	<u>50</u>	<u>35</u>
Financial expense	15	476	133	117
Financial income	15	35	28	40
Loss before taxes		<u>(1,418)</u>	<u>(55)</u>	<u>(42)</u>
Taxes	16	-	43	-
Net Loss		<u>(1,418)</u>	<u>(98)</u>	<u>(42)</u>
Other comprehensive loss, net of tax:				
Items that will or may be reclassified to profit or loss:				
Exchange rate income (loss) arising on translation of foreign operations		30	(7)	-
Total comprehensive loss for the year		<u>(1,388)</u>	<u>(105)</u>	<u>(42)</u>

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

KTEK LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(US Dollar in thousands)

	<u>Share capital and premium</u>	<u>Foreign currency translation reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance at January 1, 2023	(*)	-	(206)	(206)
Changes during the year:				
Total comprehensive loss	-	-	(42)	(42)
Balance at December 31, 2023	<u>(*)</u>	<u>-</u>	<u>(248)</u>	<u>(248)</u>
Changes during the year:				
Net loss for the year	-	-	(98)	(98)
Other comprehensive loss	-	(7)	-	(7)
Total comprehensive loss	-	(7)	(98)	(105)
Balance at December 31, 2024	<u>(*)</u>	<u>(7)</u>	<u>(345)</u>	<u>(352)</u>
Changes during the year:				
Net loss for the year	-	-	(1,418)	(1,418)
Other comprehensive loss	-	30	-	30
Total comprehensive loss	-	30	(1,418)	(1,388)
Balance at December 31, 2025	<u>(*)</u>	<u>23</u>	<u>(1,763)</u>	<u>(1,740)</u>

(*) Less than 1 thousand USD

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

KTEK LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the year	(1,418)	(98)	(42)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	136	100	58
Financial expenses (income), net	139	-	(17)
Interest on lease liability	20	7	-
Increase in accrued severance pay	13	3	36
	<u>308</u>	<u>110</u>	<u>77</u>
Changes in current assets and liabilities:			
Decrease (Increase) in inventory	135	(337)	(21)
Decrease (Increase) in account receivables	225	(991)	(111)
Decrease (Increase) in other current assets	(53)	178	17
Increase in Related party	(376)	(434)	(54)
Increase (Decrease) in trade account payable	(332)	999	(13)
Increase in other account payable	262	126	102
Increase (Decrease) in deferred revenue	(190)	216	-
	<u>(329)</u>	<u>(243)</u>	<u>(80)</u>
Net cash used in operating activities	<u>(1,439)</u>	<u>(231)</u>	<u>(45)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of fixed assets	(46)	(103)	(100)
Short term deposit	(27)	-	-
Restricted marketable securities	(51)	(4)	-
Net cash used in investing activities	<u>(124)</u>	<u>(107)</u>	<u>(100)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipt of loans	3,893	700	470
Repayment of loans	(2,232)	(307)	(326)
Increase (Decrease) in Bank overdraft	16	(9)	-
Principal lease payments	(45)	(35)	-
Net cash Provided by financing activities	<u>1,632</u>	<u>349</u>	<u>145</u>
Net increase in cash and cash equivalents	69	11	-
Cash and cash equivalents at the beginning of the year	11	(*)	(*)
Exchange rate difference on cash	(23)	(*)	(*)
Cash and cash equivalents at the end of the year	<u>57</u>	<u>11</u>	<u>(*)</u>

(*) Less than 1 thousand \$

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

KTEK LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US Dollar in thousands)

APPENDIX A - NON-CASH FINANCING AND INVESTING ACTIVITIES:

	<u>Year ended December 31, 2025</u>	<u>Year ended December 31, 2024</u>	<u>Year ended December 31, 2023</u>
Recognition of right of use assets and lease liabilities	41	153	-

**APPENDIX B - INFORMATION REGARDING INTEREST PAID AND RECEIVED INCLUDED IN
CURRENT OPERATIONS:**

	<u>Year ended December 31, 2025</u>	<u>Year ended December 31, 2024</u>	<u>Year ended December 31, 2023</u>
Interest paid	<u>227</u>	<u>102</u>	<u>107</u>
Interest received	<u>2</u>	<u>-</u>	<u>3</u>

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

KTEK LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 1 - GENERAL:

A. Ktek Ltd. (the "Company") was incorporated on May 2019 in Israel and commenced its operations on November 2019.

The Company has a wholly - owned subsidiary in Netherland, which was incorporated in July 2024 ("Ktek NL" or "The subsidiary"). The Company's address is Baruch Hirsh 14, Bnei-Brak, Israel .The Company and its subsidiary (together, the "Group") engaged in the design, development and manufacture of mechanical systems for the aerospace and defense industries.

B. In March 2026, the Company entered into a binding agreement with KTEK AEROSYSTEMS LTD ("ASX Co") for the acquisition of 100% of the Company's issued capital. This transaction is intended to facilitate an Initial Public Offering (IPO) and a subsequent listing ASX Co on the Australian Securities Exchange (ASX). As consideration, ASX Co is expected to issue agreed number of ordinary shares to the Company's shareholders upon completion. The transaction remains subject to several conditions precedent, including a minimum capital raising of AUD 6 million, receipt of necessary regulatory approvals and obtaining relevant tax ruling. There is no guarantee that the transaction will be completed, and the agreement may be terminated if these conditions are not satisfied or waived by December 31, 2026.

C. The Group incurred a net loss of 1,418 USD for the year ended December 31, 2025, and generated 1,763 USD of accumulated deficit since inception. These events and conditions indicate that a material uncertainty exists that may cast substantial doubt on the Group's ability to continue as a going concern. In order to overcome the uncertainty, the Company targeting its efforts in raising additional funds, increasing its revenue and implements cost reduction initiative. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

KTEK LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 1 – GENERAL (CONT.):

D. Effects of the “Iron Swords” war

The “Iron Swords” war began on October 7, 2023, and has significantly affected the security and economic situation in Israel. The continuation of hostilities, along with measures taken by the Israeli government following the declaration of a state of war and the mobilization of reserve forces, have led to a slowdown in business and economic activity nationwide. These developments have resulted in supply chain and production disruptions, labor shortages, and volatility in financial markets. Specifically, there has been significant volatility in the exchange rates of the NIS and other currencies in relation to the US Dollar (the Company’s functional currency). Additionally, the downgrading of Israel’s credit rating by international agencies and the impact on the national budget have affected the overall economy and the business environment, and consequently, may impact financial reporting.

In June 2025 the war significantly expanded to another front with the State of Israel opening a direct confrontation with Iran in the framework of operation “Rising Lion”. Upon the commencement of this operation, the State of Israel declared a special home-front situation and closed its airspace. This confrontation further intensified the impact of the war on the operations of many companies.

In October 2025, a ceasefire was reached between Israel and Hamas in the Gaza Strip.

As of these financial statements signing date, these events have no material impact on the Group’s operations.

KTEK LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board (“IASB”). The financial statements have been prepared under the historical cost convention, except of restricted marketable securities. The Company has elected to present the consolidated statements of comprehensive loss using the function of expense method. In addition, these consolidated financial statements are presented in US Dollars. All currency amounts have been recorded to the nearest thousand, unless otherwise indicated.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements of the Company include the accounts of the Company and its subsidiary as if they formed a single entity. Intercompany transactions and balances between the two entities were eliminated in full.

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

KTEK LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Foreign currency

The Consolidated Financial Statements are presented in U.S. dollars (“USD”), which is the functional currency of the Company. The USD is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company.

The functional currency of the Company’s foreign subsidiary is the local currency in which it operates (the Euro). In accordance with IAS 21 (“The Effects of Changes in Foreign Exchange Rates”), the financial results and financial position of the subsidiary are translated into the presentation currency (USD) for consolidation purposes. Transactions and balances in currencies other than the respective functional currencies are converted into the functional currency of each entity based on the principles set forth in IAS 21.

- Monetary assets and liabilities – at the rate of exchange applicable at the consolidated statements of financial position date.
- Income and expense items – at exchange rates applicable as of the date of recognition of those items.
- Non-monetary items are converted at the rate of exchange used to convert the related statement of financial position items i.e. at the time of the transaction.

Exchange gains and losses from the aforementioned conversion are recognized in profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability; or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Classification by fair value hierarchy

Assets and liabilities presented in the consolidated statements of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

KTEK LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data (valuation techniques that use inputs that are not based on observable market data).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial instruments

1. Financial Assets

The Group classifies its financial assets into the following category, based on the business model for managing the financial asset and its contractual cash flow characteristics. The Group's accounting policy for the relevant category is as follows:

Amortized cost: These assets arise principally from the selling products to customers (e.g. trade and other receivables and related parties), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest.

Fair Value Through Profit or Loss (FVTPL) – Marketable Securities:

This category primarily includes marketable securities held by the Group. These assets are not held solely for the collection of contractual cash flows and therefore are measured at fair value through profit or loss.

Marketable securities are initially recognized at fair value, with transaction costs expensed as incurred, and are subsequently measured at fair value at each reporting date. Changes in fair value, including interest and dividend income, are recognized in profit or loss in the period in which they arise.

They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment and trade receivables are initially recognized at their transaction price. The Company recognizes an impairment provision for trade receivables based on the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed.

KTEK LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

The Company assesses at the end of each reporting period whether there is any objective evidence of impairment of financial assets carried out at amortized cost. As of December 31, 2025, 2024 and 2023 there is no evidence of impairment.

The expected credit loss (“ECL”) for trade accounts receivable is measured using the simplified method in accordance with IFRS 9, which requires an estimation of the lifetime expected credit loss for trade accounts receivable.

As of December 31, 2025, 2024 and 2023 , ECL for trade and other accounts receivable were \$0 and \$0 respectively.

2. Financial Liabilities

The Group classifies its financial liabilities based on the purpose for which the liability was acquired. The Group’s accounting policy is as follows:

Amortized cost: Trade payables and certain other accounts payable are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method

Inventories

Inventories are recognized at the lower cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The Group measures cost of raw materials on First in First Out ("FIFO") basis and finished goods according to costs based on direct costs of materials and labor.

Fixed assets

Items of property, plant and equipment are initially recognized at cost including directly attributable costs. Depreciation is calculated on a straight-line basis, over the useful lives of the assets at annual rates as follows:

	<u>Annual depreciation rate (%)</u>	<u>Main annual depreciation rate (%)</u>
Vehicles	15	15
Computers and electronic devices	33	33
Furniture and Leasehold improvements*	7-15	15
Equipment	25	25

* In case the duration of the lease contract is less than the lease improvement, the depreciation is over the contract’s period.

KTEK LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Impairment of non-financial assets

Non-financial assets excluding inventories are subject to impairment test whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest group of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets).

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in return for consideration.

Right-of-use (ROU) assets and lease liabilities: At the lease commencement date, the Company recognizes a ROU asset and a lease liability for all leases, except for short-term leases (12 months or less) and leases of low-value assets, which are recognized as an expense on a straight-line basis over the lease term.

Measurement: The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. ROU assets are measured at cost, comprising the initial amount of the lease liability plus any initial direct costs and lease payments made at or before the commencement date.

Subsequent Measurement: Subsequently, the lease liability is measured at amortized cost using the effective interest method. The ROU asset is depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset.

Presentation: ROU assets are presented separately in the statement of financial position. In the consolidated statements of comprehensive loss, the Company presents depreciation expense of ROU assets separately from interest expense on the lease liability. In the statement of cash flows, principal payments are classified as financing activities, while interest and short-term lease payments are classified as operating activities.

KTEK LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Employee Benefits

Employee benefits are recognized in accordance with applicable labor laws and employment agreements.

Short-term employee benefits

Short-term employee benefits, including salaries, bonuses, annual leave and social security contributions, are recognized as an expense in profit or loss in the period in which the related services are rendered.

Defined contribution plans

The Company makes contributions to pension funds in accordance with local regulations. Once the contributions have been paid, the Company has no further payment obligations. Contributions are recognized as an expense in profit or loss in the period in which the related services are rendered.

Defined benefit plans

The Company recognizes a liability for defined benefit plans, primarily in respect of severance pay arrangements where applicable. The liability recognized in the statement of financial position represents the present value of the defined benefit obligation at the reporting date.

Revenue recognition

The Company recognizes revenue from contracts with customers, as detailed below, at the date control of the goods or services is transferred to the customer and measures revenue at an amount representing the consideration to which the Company expects to be entitled for those goods or services, excluding amounts collected for the benefit of third parties.

Starting September 2024, the Company mainly recognizes revenue from sale of assembled products to customers. Revenue is recognized at a point in time when control over the finished product is transferred to the customer, according to the shipment terms, which is generally at the customer's premises. In providing the finished good, third-party suppliers are involved. Applying judgement, the Company concluded that it is a principal in the performance obligation, because it assumes inventory risk over goods purchased from the supplier, it is primarily responsible for the delivery of the goods, and negotiates the terms of the agreement with the customer independently of the contract terms with the supplier. Therefore, the Company control the inventory before it sells it to the customer, and recognizes revenue gross from amounts paid to suppliers.

KTEK LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenue recognition (cont.):

Before September 2024, the Company mainly provided assembly services over materials provided by customers. Applying judgment, the Company concluded it does not control those materials, and therefore did not recognize the assembled inventory on its balance sheets.

The Company provides assurance-type warranty for goods delivered to customers.

Transaction price in the Company's contracts is generally fixed, and payment terms range between 90-120 days from goods' delivery date. The Company chose not to account for significant financing component when payments are received within 12 months from revenue recognition.

As permitted by IFRS 15, the Company does not disclose information on remaining performance obligations when the performance obligation is a part of a contract that has an original expected duration of one year or less.

Critical accounting estimates and judgments

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Group's earnings and financial position are:

- Recognition of revenue from products requires management to make critical judgments on the timing of transfer of control. Under its main contracts, the seller retains primary responsibility and risks until goods reach the customer, and revenue is typically recognized only upon delivery. Management also judges whether to recognize revenue on a gross or net basis, concluding that the Company is a principal in the sale of assembled products, assuming inventory risk, delivery responsibility, and independent contract negotiation.
- Deferred tax assets are recognized only to the extent that it is probable that taxable profits will be available against which deductible temporary differences and tax losses can be utilized. This assessment involves significant judgment regarding future taxable profits, reversal patterns of temporary differences, tax-planning strategies, and the impact of changes in tax laws. Changes in these assumptions could significantly affect the amount of deferred tax assets recognized.
- Management assesses the primary economic environment in which each entity operates, considering factors such as the currency influencing sales prices, costs, and financing activities. This assessment requires judgment when indicators are mixed or when operations occur in multiple jurisdictions.

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NOTE 3 - NEW ACCOUNTING POLICIES:

IFRS 18, Presentation and Disclosure in Financial Statements

IFRS 18 replaces IAS 1, Presentation of Financial Statements. IFRS 18 provides guidance for improving the structure and content of the financial statements, particularly the income statement. IFRS 18 includes new disclosure and presentation requirements as well as requirements that were taken from IAS 1, Presentation of Financial Statements. As part of the new disclosure requirements, it is required to present two subtotals in the income statement: operating profit and profit before financing and taxes. Furthermore, the results in the income statement will be classified into three new categories: an operating category, an investing category and a financing category.

In addition to the changes in the structure of the income statements, IFRS 18 also includes a requirement to provide separate disclosure in the financial statements regarding the use of management-defined performance measures. Furthermore, IFRS 18 adds specific guidance for aggregation and disaggregation of items in the financial statements and in the notes.

IFRS 18's initial date of application is for annual reporting periods beginning on or after January 1, 2027 with earlier application being permitted.

The Company is examining the effects of the standard on its financial statements with no plans for early adoption.

NOTE 4 - INVENTORY:

	December 31, 2025	December 31, 2024	December 31, 2023
Work in progress	191	279	-
Finished goods	37	80	21
Total	228	359	21

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NOTE 5 - FIXED ASSETS, NET:

	<u>Vehicles</u>	<u>Computers</u>	<u>Equipment</u>	<u>Furniture & Leasehold improvements</u>	<u>Total</u>
<u>Cost:</u>					
Balance as of January 1, 2025	180	21	228	10	439
Additions during the year	12	14	2	18	46
Balance as of December 31, 2025	<u>192</u>	<u>35</u>	<u>230</u>	<u>28</u>	<u>485</u>
<u>Accumulated depreciation:</u>					
Balance as of January 1, 2025	75	11	64	2	152
Additions during the year	28	6	53	2	89
Balance as of December 31, 2025	<u>103</u>	<u>17</u>	<u>117</u>	<u>4</u>	<u>241</u>
Net book value as of December 31, 2025	<u>89</u>	<u>18</u>	<u>113</u>	<u>24</u>	<u>244</u>
<u>Cost:</u>					
Balance as of January 1, 2024	180	10	140	7	337
Additions during the year	-	11	88	3	103
Balance as of December 31, 2024	<u>180</u>	<u>21</u>	<u>228</u>	<u>10</u>	<u>439</u>
<u>Accumulated depreciation:</u>					
Balance as of January 1, 2024	48	8	26	1	83
Additions during the year	27	3	38	1	69
Balance as of December 31, 2024	<u>75</u>	<u>11</u>	<u>64</u>	<u>2</u>	<u>152</u>
Net book value as of December 31, 2024	<u>105</u>	<u>10</u>	<u>164</u>	<u>8</u>	<u>287</u>

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	Vehicles	Computers	Equipment	Furniture & Leasehold improvements	Total
<u>Cost:</u>					
Balance as of January 1, 2023	180	10	40	7	237
Additions during the year	0	0	100	0	100
Balance as of December 31, 2023	180	10	140	7	337
<u>Accumulated depreciation:</u>					
Balance as of January 1, 2023	21	4	0	0	25
Additions during the year	27	4	27	1	58
Balance as of December 31, 2023	48	8	27	1	84
Net book value as of December 31, 2023	132	2	113	6	253

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NOTE 6 - RIGHT OF USE ASSET, NET AND LONG TERM LEASE LIABILITY:

The Group has entered into a lease agreement for office and parking spaces used for its operations. On February 2024, the Company signed an office lease agreement for one year with an option for 3 more years. On July 2025, the Company signed another office lease agreement for more space at the same building for 17 months with an option for 16 more months. Lease payments are linked to the Israeli Consumer Price Index (CPI).

a. Right of use asset, net:

<u>Cost:</u>	<u>Building</u>
Balance as of January 1, 2025	153
Additions during the year	41
Balance as of December 31, 2025	<u>194</u>
 <u>Accumulated depreciation:</u>	
Balance as of January 1, 2025	31
Additions during the year	47
Balance as of December 31, 2025	<u>78</u>
 <u>Cost:</u>	
Balance as of January 1, 2024	-
Additions during the year	153
Balance as of December 31, 2024	<u>153</u>
 <u>Accumulated depreciation:</u>	
Balance as of January 1, 2024	-
Additions during the year	31
Balance as of December 31, 2024	<u>31</u>

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NOTE 6 - LEASE ASSETS AND LIABILITIES (CONT.):

b. Lease liability:

Balance as of January 1, 2025	125
Additions during the year	41
Interest and exchange rate expenses	30
Lease payments	<u>(57)</u>
Balance as of December 31, 2025	<u>139</u>
Balance as of January 1, 2024	-
Additions during the year	153
Interest and exchange rate expenses	7
Lease payments	<u>(35)</u>
Balance as of December 31, 2024	<u>125</u>

Current maturities of lease liabilities as of December 31, 2025, and 2024, amounted to 57 and 34, respectively.

NOTE 7 – TRADE PAYABLES

The composition of trade and other payables as of December 31 is as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Trade and other payables	724	1,083	105
Checks payable	<u>88</u>	<u>-</u>	<u>-</u>
Total	<u>812</u>	<u>1,083</u>	<u>105</u>

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NOTE 8 - LOANS:

In 2024 and 2025 the Company has entered into several loan agreements with financial institutions and others to support its operational and working capital requirements. All loans were taken in Israeli currency and are not index-linked.

	<u>Interest rate</u>	<u>Current loans</u>	<u>Non- Current loans</u>
		<u>December 31, 2025</u>	
Bank overdraft		32	-
Loans from financial institutions	6.75%-11.2%	1,036	98
Loans from others	9.8%	<u>1,517</u>	<u>-</u>
Total		2,585	98
	<u>Interest rate</u>	<u>Current loans</u>	<u>Non-Current loans</u>
		<u>December 31, 2024</u>	
Bank overdraft		17	-
Loans from financial institutions	1.9%-9.5%	184	275
Loans from others	3.1%-11.2%	<u>521</u>	<u>102</u>
Total		722	377
	<u>Interest rate</u>	<u>Current loans</u>	<u>Non-Current loans</u>
		<u>December 31, 2023</u>	
Bank overdraft		26	-
Loans from financial institutions	1.9%-9.5%	62	136
Loans from others	3.1%-11.2%	<u>55</u>	<u>436</u>
Total		143	572

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NOTE 8 – LOANS (CONT.):

Terms of the significant loans:

- On May 2025, the company entered into a loan agreement with Bank Yahav in the amount of 300 thousand NIS. The loan bears interest of 8.65%. The loan is to be repaid in 12 installments by May 2026.
- On September 2025, the company entered into a loan agreement with Altshuler in the amount of 350 thousand NIS. The loan bears interest of 9.8%. The loan is to be repaid in 10 installments by June 2026.
- On May 2025, the company entered into a loan agreement with Bank Hapoalim in the amount of 437 thousand NIS. The loan bears interest of 9.1%. The loan is to be repaid in 12 installments by May 2026.
- On September 2025, the company entered into a loan agreement with Bank Discount in the amount of 350 thousand NIS. The loan bears interest of 9.35%. The loan is to be repaid in 11 installments by August 2026.
- On December 2025, the company entered into a loan agreement with Bank Discount in the amount of 510 thousand NIS. The loan bears interest of 8%. The loan is to be repaid in 1 installment by February 2026.
- On October 2025, the company entered into a loan agreement with Bank Discount in the amount of 500 thousand NIS. The loan bears interest of 8%. The loan is to be repaid in 5 equal installments by March 2026.
- On January 2022, the company entered into a loan agreement with Bank Mizrahi in the amount of 800 thousand NIS. The loan bears interest of 11.2%. The loan is to be repaid in 50 equal installments by February 2027.
- On February 2024, the company entered into a loan agreement with Bank Discount in the amount of 475 thousand NIS. The loan bears interest of 7.5%. The loan is to be repaid in 54 equal installments by January 2029.
- During 2024, the Company entered into a loan agreement for a check discounting facility with Idanim Ltd. As of December 31, 2024, the outstanding balance payable under this agreement amounted to approximately USD 412 thousand.
- In October 2025, the Company received a non-interest-bearing loan in the amount of \$1,337,000 from KTEK SYSTEMS PTY LTD.

According to the loan agreement, the loan is repayable in full upon the earlier of: (i) December 31, 2026, (ii) the occurrence of a material breach of the loan agreement, or (iii) a change of control.

The loan was initially recognized at its present value using an effective annual interest rate of 11%, discounted over a period of 9 months in accordance with IFRS 9 Financial Instruments.

The difference between the nominal amount and the present value was recognized in profit or loss and is subsequently accreted using the effective interest method.

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NOTE 8 – LOANS (CONT.):

- On July 2022, the company entered into a loan agreement with B.T.B Trustees in the amount of 995 thousand NIS. the Company incurred a loan origination fee in connection with the loan in the amount of approximately USD 24 thousand. The loan bears interest of Prime+4.75%. The loan is to be repaid in 96 equal installments by June 2030. The loan was fully repaid during 2025.

The Company has granted the following pledges in favor of banking institutions:

- A floating charge in favor of Israel Discount Bank over all of the Company's rights and funds held in its accounts with the bank.
- A fixed charge in favor of Bank Hapoalim over specific receivables due to the Company from customers.

NOTE 9 - SHAREHOLDERS' DEFICIENCY:

Share capital and share premium (1 NIS par value):

	Ordinary shares		
	2025	2024	2023
Issued and paid-in share capital as at December 31	1,000	1,000	1,000

On May 06, 2019, the Company issued 1,000 ordinary shares at an issue price of 1 ILS per share for its founders.

NOTE 10 - REVENUES:

1. Revenues from type of goods or services:

	Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2025	%	2024	%	2023	%
Development	215	7	481	25	223	28
Production	3,016	91	1,336	68	272	35
Advisory	74	2	137	7	274	37
	3,305	100	1,954	100	769	100

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NOTE 10 – REVENUES (CONT.):

2. Timing of transfer of control:

	Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2025	%	2024	%	2023	%
Over time	215	7	481	25	-	-
At a point in time	3,090	93	1,473	75	769	100
	<u>3,305</u>	<u>100</u>	<u>1,954</u>	<u>100</u>	<u>769</u>	<u>100</u>

3. Revenues from major costumers, each responsible for 10% or more of total revenue reported in the financial statements:

	Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2025	%	2024	%	2023	%
Customer A.	79		68		28	
Customer B.	8		11		1	

NOTE 11 - COST OF REVENUES:

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Production and project materials	2,100	1,210	43
Salaries and social benefits	208	79	127
Outsourcing and consulting	60	40	151
Equipment maintenance and QC	75	54	-
Shipment	181	38	-
Depreciation	45	31	20
Other	20	34	94
Changes in Inventory	185	(337)	(21)
	<u>2,874</u>	<u>1,149</u>	<u>414</u>

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NOTE 12 - RESEARCH AND DEVELOPMENT:

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Salaries and social benefits	188	140	45
Outsourcing and consulting	87	120	-
Depreciation	7	7	-
Patents License Fees	35	10	-
Other	-	1	-
	<u>317</u>	<u>278</u>	<u>45</u>

NOTE 13 - SELLING AND MARKETING:

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Salaries and social benefits	84	35	17
Outsourcing and consulting	29	3	-
Advertising expenses	10	18	29
Travel	59	12	-
	<u>182</u>	<u>68</u>	<u>46</u>

NOTE 14 - GENERAL AND ADMINISTRATIVE:

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Salaries and social benefits	260	151	107
Office expenses	160	52	5
Depreciation	84	63	37
Professional services	273	39	9
Parking and car maintenance	43	30	17
Taxes and fees	20	22	3
Rent and office maintenance	55	20	16
Other	14	32	34
	<u>909</u>	<u>409</u>	<u>228</u>

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NOTE 15 - FINANCIAL EXPENSE, NET:

FINANCIAL EXPENSE:

	<u>Year ended December 31, 2025</u>	<u>Year ended December 31, 2024</u>	<u>Year ended December 31, 2023</u>
Interest on loans	178	65	100
Bank commission and interest	31	12	10
Interest on lease liability	30	7	-
Interest to authorities	6	2	3
Credit raising	15	22	4
Others	5	25	-
Exchange difference rate	211	-	-
	<u>476</u>	<u>133</u>	<u>117</u>

FINANCIAL INCOME:

	<u>Year ended December 31, 2025</u>	<u>Year ended December 31, 2024</u>	<u>Year ended December 31, 2023</u>
Interest income from shareholder debt	33	20	3
Interest Income	2	-	-
Exchange difference rate	-	8	37
	<u>35</u>	<u>28</u>	<u>40</u>

NOTE 16 - TAXES ON INCOME:

1. General tax rate applicable to income in Israel:

Israeli corporate tax rate is 23% in 2025, 2024 and 2023. The Company in Israel has final tax assessments until 2020. As of the end of 2025, the Company has estimated carryforward tax losses in the amount of approximately \$1 million. The Company does not expect to generate taxable income in the foreseeable future and, therefore, has not recognized a deferred tax asset.

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NOTE 16 - TAXES ON INCOME (cont.):

Composition of tax expenses charged to profit or loss:

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Current tax expenses	-	43	-
	<u>-</u>	<u>43</u>	<u>-</u>

2. NL subsidiary:

KTEK NL ("the subsidiary") was incorporated in 2024 and is subject to local corporate tax in the Netherlands. The subsidiary will submit its first tax reports in 2025 from inception.

3. Tax reconciliation:

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Loss before taxation	(1,418)	(55)	(42)
Theoretical tax credit at applicable statutory rate: 23%	(326)	(13)	(10)
Temporary differences and tax losses for which no deferred tax asset is recognized	376	105	23
Non-allowable expenses	(50)	(49)	(13)
Tax on income	<u>-</u>	<u>43</u>	<u>-</u>

NOTE 17 - RELATED PARTY:

Terms and conditions of transactions with related parties

Transactions from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables.

Related party transactions

	Year ended December 31, 2025	Year ended December 31, 2024	Year ended December 31, 2023
Payroll and related benefits including management fees	200	133	76
Interest income from related party debt	(33)	(20)	(3)
Relative to related party	54	30	43
Total Related Party Transactions	<u>221</u>	<u>143</u>	<u>116</u>

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NOTE 17 - RELATED PARTY: (cont.):

Balances amount from/to related party

<u>Name</u>	<u>Nature of transaction</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Related party	Shareholder's current account balance	599	434	140
Related party- CEO	Salary payables liability	26	4	4

NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

The Group is exposed to a variety of financial risks, which results from its financing, operating and investing activities. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's financial performance and position. The Group's financial instruments are its cash, receivables and other receivables, payables, other payables and short and long term loans. The carrying value of cash and cash equivalents, trade receivables, net and other current assets, and trade payables and other accounts payables and accrued expenses approximate their fair value due to the short-term nature of these instruments. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Group's financial instruments are mainly credit risk and currency risk. The risk management policies employed by the Company to manage these risks are discussed below.

NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the financial statements date. The Group closely monitors the activities of its counterparties which enables it to ensure the prompt collection of customer's balances. The Group's main financial assets are cash and cash equivalents as well as other receivables and represent the Company's maximum exposure to credit risk in connection with its financial assets. Wherever possible and commercially practical the Group holds cash with major financial institutions in Israel.

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NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Cash and cash equivalents	57	11	-
Short-term deposit	27	-	-
Trade receivables	1,068	1,293	303
Other receivables (*)	655	449	164
Total	<u>1,807</u>	<u>1,753</u>	<u>467</u>

(*) Including related party balance.

Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group exposed to foreign exchange risk arising from currency exposure primarily with respect to the Euro and New Israeli Shekel ("NIS"). The Group's policy is not to enter into any currency hedging transactions.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

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NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Assets	December 31, 2025				
	Euro	NIS	AUD	TOTAL	
Cash and cash equivalents	7	35	13	55	
Short-term deposit	11	16	-	27	
Trade receivables	-	1,068	-	1,068	
Other receivables (*)	-	655	-	655	
	<u>18</u>	<u>1,774</u>	<u>13</u>	<u>1,805</u>	
Liabilities					
	Euro	NIS	AUD	Other	TOTAL
Bank overdraft		32			32
Trade payables	607	194	-	5	806
Other payables	12	595	-	-	607
Short and Long-term loans	-	1,216	1,337	-	2,553
Lease liability	-	140	-	-	140
	<u>619</u>	<u>2,177</u>	<u>1,337</u>	<u>5</u>	<u>4,138</u>
Net	<u>(601)</u>	<u>(403)</u>	<u>(1,324)</u>	<u>(5)</u>	<u>(2,333)</u>

(*) Including related party balance.

Assets	December 31, 2024		
	Euro	NIS	TOTAL
Cash and cash equivalents	-	10	10
Trade receivables	-	1,293	1,293
Other receivables (*)	-	449	449
	<u>-</u>	<u>1,752</u>	<u>1,752</u>
Liabilities			
	Euro	NIS	TOTAL
Bank overdraft	-	17	17
Trade payables	817	267	1,084
Deferred revenues	-	216	216
Other payables	-	318	318
Short and Long-term loans	-	1,082	1,082
Lease liability		125	125
	<u>817</u>	<u>2,025</u>	<u>2,842</u>
Net	<u>(817)</u>	<u>(273)</u>	<u>(1,090)</u>

(*) Including related party balance.

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NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

Assets	December 31, 2023		
	Euro	NIS	TOTAL
Trade receivables	53	250	303
Other receivables (*)	-	220	220
	<u>53</u>	<u>470</u>	<u>523</u>
Liabilities	Euro	NIS	TOTAL
	-	26	26
Bank overdraft	-	105	105
Trade payables	-	192	192
Other payables	-	689	689
Short and Long-term loans	-	1,012	1,012
	<u>53</u>	<u>(542)</u>	<u>(489)</u>
Net			

(*) Including related party balance.

Liquidity risks:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the object of minimizing such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Accordingly, the Group has a positive working capital.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

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NOTE 18 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.):

At December 31, 2025	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years
Bank overdraft	32	-	-
Trade payables	812	-	-
Short term loans	2,645	-	-
Lease liability	51	51	59
Other payables	583	-	-
Long-term loans	-	56	46
Total	4,123	107	105

At December 31, 2024	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years
Bank overdraft	17	-	-
Trade payables	1,083	-	-
Short term loans	601	-	-
Lease liability	36	51	110
Other payables	318	-	-
Long-term loans	-	224	198
Total	2,055	275	308

At December 31, 2023	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years
Bank overdraft	26	-	-	-
Trade payables	105	-	-	-
Short term loans	256	-	-	-
Lease liability	-	-	-	-
Other payables	192	-	-	-
Long-term loans	-	263	221	3
Total	579	263	221	3

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NOTE 19 - Changes in liabilities arising from financing activities:

Reconciliation of the changes in liabilities for which cash flows have been or will be classified as financing activities in the statement of cash flows:

	Lease liabilities	Overdraft	Loans
As at January 1, 2023	-	-	563
Proceeds from drawing loans, net of principal and interest repayments	-	26	144
Total changes from financing cash flows	-	-	144
Effects of foreign exchange	-	-	(18)
As at January 1, 2024	-	26	689
Payments of lease liabilities	(35)	-	-
Proceeds from drawing loans, net of principal and interest repayments	-	(9)	386
Total changes from financing cash flows	(35)	(9)	386
Additions of and modification to leases	153	-	-
Interest expense	7	-	-
Effects of foreign exchange	-	-	7
As at December 31, 2024	125	17	1,082
Payments of lease liabilities	(45)	-	-
Proceeds from drawing loans, net of principal and interest repayments	-	15	1,518
Total changes from financing cash flows	(45)	15	1518
Additions of and modification to leases	41	-	-
Interest expense	-	-	-
Effects of foreign exchange	18	-	51
As at December 31, 2025	139	32	2,651

KTEK LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 20 - SUBSEQUENT EVENTS:

1. In March 2026, the Company entered into a binding agreement with KTEK AEROSYSTEMS LTD ("ASX Co") for the acquisition of 100% of the Company's issued capital. The ASX Co. is in the process of undertaking an initial public offering ("IPO") on the Austrian Stock Exchange and intends to be admitted to the official list of the Australian Securities Exchange during 2026.
2. In March 2026, the related party the CEO of the Company settled the outstanding debt through the following transactions:
 - A. The related party sold a vehicle to the Company for a total consideration of approximately USD 247,589.
 - B. The related party sold a personal patent that had been used by the Company for a total consideration of approximately USD 82,802.Following these transactions, the outstanding balance of the related party has been reduced accordingly and remains outstanding.
3. During 2026, the Company acquired patent rights from related party, a shareholder and the CEO of the Company, for a total consideration of NIS 257,500. The transaction reflects the acquisition of 50% of his rights in the patent, representing his proportional share in the said patent. The patent relates to the development of a designated enclosure designed to protect its contents from electromagnetic waves. The consideration was determined based on a valuation.