Board of Directors‘ Report on the State of the Company's Affairs

As of the date of the report, the company is a "small corporation", as this term is defined in Regulation 5c of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 ("**Reports Regulations**"). As part of the reliefs granted to small corporations within the framework of the Reports Regulations, the Company's Board of Directors decided to adopt all the reliefs listed in Regulations 5d(b) of the Reports Regulations to the extent relevant to the Company, including: (1) cancellation of the obligation to publish a report on internal audit and the auditor's report on the internal audit; (2) raising the materiality threshold in

The Board of Directors of Ecoppia Scientific Ltd. (the “**Company**”) hereby respectfully submits the Board of Directors’ report on the state of affairs of the Company for the period of six months ending on June 30, 2023 (**the “Report Period**”). The report is prepared in accordance with the Reports Regulations. The explanations presented below are in accordance with the Company's consolidated financial statements as of June 30, 2023 (the "**Financial Statements**").

This report is succinct and is prepared under the assumption that the reader is also looking at the periodic report of the Company as of December 31, 2022 which was published on March 31, 2023 (reference number: 2023-01-036651) (the "**Periodic Report**").

1. Part One - The Board of Directors' Explanations of the State of the Corporation's Business

1.1 Introduction

The Company was incorporated in Israel on January 7, 2013 as a private limited liability company, in accordance with the provisions of the Companies Law, 5759-1999 (the "**Companies Law**"). The company deals with the development, sale, operation and maintenance of robotic systems based on cloud-based technology for cleaning infrastructural solar panels. Today, the Company is active in several countries around the world, while its main activity being in India and Israel.

On November 24, 2020, the Company first issued to the public 22,410,000 Ordinary Shares, of NIS 0.0001 per value each ("**Ordinary Shares**"), and 7,470,000 warrants (Series 1), exercisable for up to 7,470,000 Ordinary Shares, which were offered to the public under a prospectus for completion and a shelf prospectus dated November 23, 2020 ("the **Prospectus**"). The Company's securities were listed for trading on the Tel Aviv Stock Exchange Ltd. (the "**Stock Exchange**"). Following the completion of the public offering by virtue of the Prospectus, the Company became a public company, according to the definition under the Law. As of the date of the report, the balance of the warrants (Series 1) has expired in accordance with the terms of the series.

1.2 Brief Description of the Company, its Business Environment and Area of Activity

The Company is engaged, directly and indirectly, in the development, sale and maintenance of technological solutions through robotic systems for cleaning solar panels in infrastructural photovoltaic facilities. The Company provides its customers, which are mainly international corporations that own and operate infrastructure photovoltaic facilities, three types of robotic systems based on cloud technology, operated and controlled remotely.

In light of the Company's efficiency plan, as stated in section 1.3.1 below, and considering the Company's ability to realize the finished good inventory of E4 robots within a period of 12 months from the date of the Company's financial report, the Company's management decided to designate the remaining inventory for maintenance use. For more details in this topic, including regarding inventory impairment, see Note 8 to the Company's financial statements.

The robotic systems provide entrepreneurs and operators of infrastructural photovoltaic facilities with a technological solution to improve the energy efficiency of the facility, using robots that perform the solar panel cleaning operation autonomously, uniformly, throughout the year and in a gentle and safe manner relative to the manual cleaning alternatives. This enables saving resources and preserving the energy output of the solar panels.

At the time of approval of the report, the Company has contracts to install the Company's systems and their maintenance in a total scope of 10,920 megawatts (of which 9,000 megawatts are for framework agreements and memorandums of understanding), of which approximately 3,920 megawatts have already been installed or in the process of installation.

For more details regarding the Company's business environment, see section 1.4 below.

1.3 Significant and Additional Events During and After the Reporting Period

1.3.1 **Streamlining plans and CEO changes in the Company**

On November 10, 2022, the Company's Board of Directors decided to approve a streamlining plan for reducing the Company's expenses, which includes, among other things, reducing operating expenses, R&D, marketing and sales, including a reduction in the volume of the Company's personnel in Israel and abroad (mainly in the departments mentioned above), as well as an examination of the termination of the employment of certain senior directors in the aforementioned departments. For more details regarding this decision and its implementation, see section 1.3.4 of the Periodic Report.

On May 23, 2023, a company board meeting was held with the participation of the previous CEO of the company, Mr. Jean Scemama, in which streamlining alternatives were examined. On May 24, 2023, Mr. Jean Scemama, informed the Company's Board of Directors of his resignation from his position as CEO of the Company. In his notice to the Board of Directors, he wrote that despite the positive developments in the Company's activity, the interest in its products and the positive outlook for its activity, significant disagreements have recently arisen between him and the Company's Board of Directors regarding the implementation of the Company's business plan. In addition, Mr. Scemama noted that he has great confidence in the Company, its employees and its products. In light of the aforesaid and following a meeting of the Company's Board of Directors on May 23, 2023, the Company's Board of Directors decided on May 26, 2023, to appoint Mr. Eran Dgani, who has served as VP of Operations for the past 7 years in the company, to serve as CEO of the Company. The appointment of Mr. Dgani as CEO of the Company began on May 28, 2023 (for details regarding the terms of employment of Mr. Dgani as CEO of the Company, see the immediate report of the Company dated May 28, 2023[1]).

For more details about the change of CEO in the Company, see the Company's reports from May 28, 2023.[2]

In addition, it was decided to appoint Mr. Ilan Lifshitz as VP of Research and Development of the Company as of May 28, 2023.

On June 1, 2023, the Company's Board of Directors resolved on additional streamlining measures that include, among other things, a significant reduction in the Company's expenses (at a total rate of up to 47%, not including expenses related to the Company's maintenance services). A significant part of the reduction above concerns an additional decrease in the Company's workforce by up to 48% (except in O&M teams). As of the date of the report, the Company's workforce has decreased by about 32%. The remaining part of the reduction is expected to be completed in the fourth quarter of 2023 (mainly due to advance notice periods to some employees).

As of the date of the report, the Company intends to focus on marketing and selling the Company's robotic systems to strategic customers while focusing on the Company's existing activities. It should be noted that the Company's management closely monitors the state of the Company and its business, the results of its activity, the level of profitability of its products and of the Company's various projects, the target markets and their scope and the existing and expected competition, and in accordance with the above, examines from time to time, the Company's possible courses ,Including collaborations, mergers or acquisitions, and all in a way that will maximize the best interests of the Company.

[1] Reference No.: 2023-01-056346 (and Supplementary Immediate Report dated May 29, 2023, Reference No.: 2023-01-057483).

[2] Reference No.: 2023-01-056376, 2023-01-056379; 2023-01-056346 (and Supplementary Immediate Report dated May 29, 2023, Reference No.: 2023-01-057483).

For details regarding termination of the lease of the Company's offices in Tel Aviv, see section 15 of the Periodic Report as well as the immediate report of the Company dated June 20, 2023[3].

The foregoing, including the completion of reduction in the Company's expenses and plans, Including collaborations, mergers or acquisitions ,is forward-looking information as defined in the Securities Law, 5728-1968 ("Securities Law"), which is based on the data available to the Company's management at the date of approval of the report, and which there is no certainty as to its materialization. Changes in the Company's assessments or the results of the Company or the state of the markets in which it operates may affect the foregoing, which may not materialize, in whole or in part, or materialized differently, including materially, than expected, inter alia, as a result of sub-optimal assumptions and analyses and developments that cannot be fully assessed, breaches of third party obligations or due to the materialization of all or part of the risk factors listed in section 31 of the Periodic Report.

1.3.2 On March 23, 2023, the Company entered into four agreements with Matrix Renewables S.L.U. (in this section: the "**Agreements**" and the "**Customer**", respectively), as part of the implementation of a framework agreement granting exclusivity to the Company that was signed with the customer in January 2022 (see section 1.3.6 of the Company's Periodic Report) (in this section: the "**Framework Agreement**"), for the sale of robot systems and the provision of maintenance services for projects to be established by the Customer, to the extent established, in certain countries in Europe, Latin America and North America, in a total scope of up to 1,000 megawatts. As part of the agreements, subject to their terms, the Company undertook to provide the Customer with the robotic systems (including their installation) and the following main services: (a) A project in Spain – the sale and installation of H4 robots totaling about 135 MW in a photovoltaic project in Spain, and the provision of maintenance services for such robots for a period of 25 years (or until the end of the PPA[4], whichever is earlier), starting from the date of completion of the installation of the robots in the project. It should be noted that this is the Company's first project in Spain; (b) a project in Chile – the sale and installation of T4 robots totaling about 10 MW in a photovoltaic project in Chile, as well as the provision of maintenance services for such robots for a period of 25 years (or until the end of the PPA, whichever is earlier), starting from the date of completion of the installation of the robots in the project; (c) two additional projects in Chile – the sale and installation of T4 robots with a total scope of about 6 MW in two existing projects (Brownfields) in Chile, as well as the provision of maintenance services for such

[3] Reference No.: 2023-01-067599.

[4] Power Purchase Agreement – The agreement to purchase the electricity produced on the Customer's site.

robots for a period of 25 years (or until the end of the PPA, whichever is earlier), starting from the date of completion of the installation of the robots in the project. It should be noted that as part of the agreements in this paragraph (c) above, the Company is expected to provide the Customer with financing conditions for some of the robotic systems for a negligible amount (about 69 thousand dollars) for a period of 10 years.

It should be noted that the completion of the agreements is conditional on receipt of a confirmation of commencement of work on the part of the Customer, who is not obligated to present it, and which, as of the date of the report, has not yet been provided.

The Company estimates that the total expected revenues to the Company as part of the agreements, insofar as they are completed, throughout the life of the projects, under the assumption that the maintenance services will be provided for the entire period (25 years), is approximately $13 million (of which $3.9 million is for the sale and installation of the systems).

The agreements include provisions accepted in such agreements, including, and as applicable, warranty clauses, provision of performance / quality guarantees, indemnity clauses (including for the availability and effectiveness of the systems), confidentiality obligations, dispute resolution mechanisms, etc., provisions relating to the early termination of the agreements by the Customer in the event of a breach committed by the Company and/or in the event of other acceptable grounds (such as insolvency of the Company, etc.), as well as possible adjustment clauses for consideration depending on the number of orders in accordance with the terms of the framework agreement.

It is clarified that there is no certainty as to the completion of the agreements and delivery of a commencement of work notice by the Customer. In addition, there is no certainty that additional orders will be placed by the Customer. This report includes forward-looking information, as defined in the Securities Law, including regarding the scope of the revenues expected for the Company and the duration of the provision of services by the Company, which is uncertain and is based on assessments, estimates and existing information in the Company as of the date of this report.

1.3.3 On February 24, 2023, the Company entered into an agreement with a subsidiary of a French international corporation, which is a repeat customer of the Company (in this section: the "**Agreement**" and the "**Customer**", respectively), to sell robots and provide maintenance services for a photovoltaic project totaling approximately 200MW (in this section: the "**Project**") in Chile.

The agreement includes provisions regarding the sale and installation of the Company's T4 robots (in this section: "the **Robots**") in three stages (in the first stage: 45MW, in the second stage: 70MW and in the third stage: 86MW), where the existence of the second and third stage depends on the success of quality tests and the execution of the previous stage regulations. The agreement includes providing maintenance services for robots for a period of 25 years, starting from the date of completion of the installation of the robots in the project. The Company has begun to supply robots for the first stage of the project and to the Company's estimation, the installation of such robots is expected to be carried out during 2023 and 2024 in accordance with the milestones set between the Company and the Customer. The Company estimates that the Company's total expected revenue as part of the agreement, assuming the materialization of all the milestones in the project and the installation of all the robots throughout the project life (without adjustments for consideration due to quality discrepancies) and under the assumption that maintenance services will be provided for the entire period, is about $7.2 million.

The agreement includes accepted provisions in the Company's supply and maintenance services agreements (as specified in section 10.2 of the Periodic Report), including warranty clauses, indemnification, confidentiality, etc., as well as provisions in relation to the early termination of the agreement by the Customer voluntarily with respect to the supply of the robots (before sending the robots to the Customer at any stage), mutual termination without cause of provision of maintenance services every five years, as well as termination of the agreement on grounds of an infringement occurrence or event carried out by the Company.

The above information, regarding the completion of the installation of the robots, the expectation of the date of installation of the robots, the provision of maintenance services for the period specified above and the Company's expected revenues in respect of the agreement, is forward-looking information, as defined in the Securities Law, which is uncertain and based on estimates, appraisals and information existing in the Company as of the date of approval of this report. In light of the above, the information may vary materially from the estimates listed above, due to factors that are not under the control of the Company in full, including due to the failure of the robots to meet the quality and performance tests, failure to meet obligations towards the Company, new information received by the Company and/or the materialization of any of the existing risk factors in the Company listed in section 31 of the Company's Periodic Report.

1.3.4 Changes in the Company's Management

During the Reporting Period, changes occurred in the Company's management, inter alia, in light of the streamlining plans listed in section 1.3.1 above, including: (a) the replacement of the Company's CEO (as detailed in section 1.3.1 above); (b) the replacement of the Company's CFO: on July 31, 2023, Mr. Arye Lumelski ceased to serve as the Company's CFO and Ms. Ariella Hasbani Gavriel was appointed to the position (at the rate of 2/3 of the position). For more details on this matter, see the Company's reports from July 6, 2023[5]; (c) the appointment of Mr. Ilan Lifshitz as

[5] Reference No.: 2023-01-063871 and 2023-01-076824.

VP of Research and Development of the Company as of May 28, 2023; (d) In addition, in June 2023, it was decided to appoint Mr. Umesh Rathaur as VP of India and Global Maintenance and Operations, as well as to appoint Mr. Niv Chaver as Director of Operations of the Company.

In addition to the foregoing (including the termination of the tenure of the outgoing CEO of the company Mr. Jean Scemama), during the reporting period the tenure at the Company of the following officers was terminated: Mr. Nalin Sharma, Vice President of Asia, Mr. David Gur Vice President of Product, Mr. Ido Molad, Vice President of Research and Development and Mr. Jose Sanchez, Head of EAA Sales.

1.3.5 Legal proceedings

Further to the provisions of section 26.1 of the Periodic Report, regarding a claim filed by the Company against the Israel Tax Authority - Customs and VAT Association (in this section: the **"Tax Authority"**), the Company is pleased to inform that on April 18, 2023, a judgment was handed down at the joint request of the parties to dismiss the claim without an order for expenses, in light of a compromise reached outside the court, as detailed below.

In light of an interim order dated May 20, 2022, in the customs tariff order, according to which the details of the customs disputed are exempt from customs payment, on April 17, 2023, a compromise agreement was signed between the parties, according to which for the purpose of a full, complete and final settlement of the dispute between the parties and without this constituting an admission by any of the parties to the claims of the other party, the Tax Authority will return to the Company the bank guarantees deposited by it as part of the procedure against the debit notice issued to it and the Company waives the return of the amounts it paid under protest. It should be noted that insofar as the above interim provision is canceled, each party will be able to make their claims in this matter, except for claims and/or demands in connection with the debit notice and/or the amounts paid under protest. As of the date of the report, the Tax Authority has returned to the Company the full guarantees mentioned above.

1.3.6 On May 29, 2022, the Company[6] published a masterplan for employees (the "Masterplan"), as amended on September 18, 2022[7] and on February 18, 2023[8], of up to 5,000,000 options that are not listed for trading on the stock exchange, exercisable into ordinary shares of the Company, of which 1,206,300 non-marketable options (as defined in the Outline) were offered in the current allocation, free of charge, to employees and officers, all as specified in the Outline. According to the Outline, 3,793,700 non-marketable options were allocated to the Trustee for future allocations under the Outline, insofar as such are carried out (the “Reserve Options”). During the reporting

[6] Reference No.: 2023-01-063871 and 2023-01-076824.

[7] Reference No.: 2023-01-063871 and 2023-01-076824.

[8] Reference No.: 2023-01-013665.

period, 360,000 options were allocated, free of charge, by virtue of the Reserve Options, to employees and officers of the Company[9].

1.3.7 On August 30, 2023, the compensation committee and the company's board of directors approved a grant plan for about 20 company employees (of which three are officers (reporting to the CEO)) in a cumulative total amount of about 300 thousand dollars for the implementation of merger or acquisition of the company, as applicable. It is clarified that the above includes forward-looking information, as defined in the Securities Law, which there is no certainty in its realization.

1.3.8 On January 10, 2023, the Company reported that, as of the date set forth in the Reports Regulations, the Company meets the definition of "small corporation" as this term is defined in the Reports Regulations and that the Company's Board of Directors decided to adopt all the reliefs under Regulation 5d of the Reports Regulations. For more details see the Company's report dated January 10, 2023 (reference number: 2023-01-005490).

1.3.9 On January 10, 2023, the Company reported that, starting from the Report Period beginning on January 1, 2023, the corporation will report according to the semi-annual reporting format of a small exempt corporation. For details see the Company's report dated January 10, 2023 (reference number: 2023-01-005487).

1.3.10 During the Report Period and after the balance sheet date, 332,214 non-marketable options of the Company were exercised for 300,707 ordinary shares of the Company in exchange for a total of approximately NIS 147,268.

1.4 <u>Summary of Factors in the General Environment of the Company's Activity</u>

1.4.1 Below is a summary of the main trends in the Company's general environment as of the date of the report:

1. Due to increasing competition in the solar industry, the high interest environment and the difficulties companies in the industry encounter in raising funds, an increasing number of merger transactions between companies whose products complement each other in the value chain and even between competing companies are evident. The above creates an advantage for companies that succeed in offering the end consumer, the large energy companies, including the Company's customers and potential customers, integrated value proposals (for example, companies that provide solutions for converters, energy storage, construction, etc., as an integrated offer to the customer), when there are also companies that offer robotic solutions for cleaning solar panels as part of their product offerings. It should be noted that the Company periodically

[9] Reference No.: 2023-01-063871 and 2023-01-076824.

examines the various trends in the industry and as a result, the Company's business practices and strategy.

2. As detailed in section 1.3.21 of the Periodic Report, it is evident in the Indian market, in particular, shows a trend of using robotic systems combined with high involvement of manpower. It should be noted that as of the date of the report, the Company chose, after in-depth analyses of the feasibility of the model, not to enter tenders for projects of this type. In the Company's assessment, the economic justification of this method is lacking in the medium to long term, especially in markets where the cost of workers is high but also in markets where the cost of workers is lower, such as India, due to difficulties existing in the model as stated (such as the effect of inflation on manpower prices, availability of manpower, training, accelerated wear and tear, etc.). The continuation or worsening of the trend described above may exacerbate the damage to the Company's competitive status and market share and impair the Company's ability to sell its products.
3. In addition, as detailed in section 1.3.21 of the Periodic Report, the Company encounters significant geopolitical barriers that make it difficult to penetrate markets in Arab countries, especially those that have not reached the normalization of their relations with the State of Israel.

The provisions of this section 1.4 above with regard to the main trends in the solar industry, the Company's assessments in relation to such trends, their implications and the Company's actions described above, is in the context of forward-looking information as defined in the Securities Law, which is based on information and assessments of the Company's management as of the date of the report and is not certain. Actual results may differ materially from the Company's above estimates, inter alia, due to changes in the environment in which the Company operates and/or the materialization of one or more of the risk factors involved in the Company's activities, listed in section 31 of the Periodic Report.

1.5 Rate of Inflation and Interest

In 2022, the upward trend in the consumer price index continued when, this year, the index increased by an annual rate of 5.3%.[10] An upward trend in the consumer price index was also seen in the first half of 2023, when, since the beginning of the year, the consumer price index increased by 2.5% (as of the July 2023 index).[11]

As a result of the price increase described above, central banks around the world raised the interest rate in order to curb the rate of inflation. Thus, in the past year, the Bank of Israel's Monetary Committee decided to raise the interest rate several times at variable rates, when

[10] https://www.ynet.co.il/economy/article/jhd1d8zdi;
https://www.cbs.gov.il/he/mediarelease/Madad/DocLib/2023/021/10_23_021b.pdf
[11] https://www.cbs.gov.il/he/mediarelease/Madad/DocLib/2023/267/10_23_267b.pdf

in May 2023 the interest rate was raised once again to 4.75%, and in the Bank of Israel's decision from July 2023, it decided to keep the interest rate at the said rate.[12]

In addition, an increase in the rate of inflation was also seen in India, when, as of July 2023, the rate of inflation was about 7.4%.[13]Accordingly, the Reserve Bank of India (RBI) raised the interest rate several times, and in accordance with its decision in August 2023, the interest rate in India stands at 6.5%.[14]

As of the date of the report, the Company does not customarily finance its activity through debt and on the other hand, the Company has, among other things, interest-bearing bank deposits. Therefore, as of the date of the report, the Company does not anticipate a material adverse effect on its activity as a result of the increase in the interest rate mentioned above. At the same time, the aforesaid affects, inter alia, the markets, and this may adversely affect the Company's ability to raise capital, if required. It should be noted that as of this date, the Company does not anticipate the need to raise additional funding sources during the coming year for the needs of its operations.

With regard to the increase in the inflation rate, the Company customarily updates, from time to time, the price of its products and services sold to customers in accordance with their cost to the Company and market conditions. In the Company's estimation, the changes in the cost of its products and services, as a rule, as of 2021, are mainly due to the increase in commodity prices in the world, which are also likely to be affected by the relatively high levels of inflation observed in various countries around the world. However, as of the date of the report, there was no significant impact on the results of the Company's activity, directly, as a result of the increase in the inflation rate, also thanks to the pricing of the Company's products and services in USD. Notwithstanding the aforesaid, an increase in the rate of inflation may contribute to an increase in the prices of raw materials and components required for the Company's activities.

The foregoing, including the effects of the increase in the rate of inflation and the interest and the company's assessments in this regard, is forward-looking information as defined in the Securities Law, which is based on the data held by the Company's management at the date of approval of the report, and which there is no certainty as to its materialization. Changes in the data held by the Company or global worsening may affect the Company's assessments and these may not materialize, in whole or in part, or may materialize differently, including substantially, than expected, and this, inter alia, as a result of sub-optimal assumptions and analyses, from developments that cannot be fully estimated in connection with the state of the markets and its

[12] https://www.boi.org.il/publications/pressreleases/63121/
[13] https://www.rateinflation.com/inflation-rate/india-historical-inflation-rate/
[14] India Interest Rate - 2023 Data - 2000-2022 Historical - 2024 Forecast - Calendar (tradingeconomics.com)

implications, or the realization of all or part of the risk factors listed in section 31 of the periodic report.

1.6 The Financial Position

The following are the sections of the statement of financial position in accordance with the financial statements and the explanations for the main changes that have occurred in them (in thousands of dollars):

Section	June 30, 2023	June 30, 2022	December 31, 2022	Explanations of the Board of Directors
Current assets	68,577	84,801	75,653	Most of the decrease in the amount of approximately $7,076 thousand compared to thebalance as of 12/31/2022 is due to negative cash flow from operating activities resulting from an increase in inventory and payment of advances to suppliers following the Company's acquisitionsfor future supplies as well as from the Company's losses
Non-Current Assets	3,907	8,974	4,765	Most of the decrease in the amount of approximately $858 thousand compared to the balance as of 12/31/2022 is due to a decrease in fixed assets resulting from current amortization as well as a decrease in value of approximately $385 thousand for its investment in improvements in the leasehold due to the reduction in the use of the Company's office

Section	June 30, 2023	June 30, 2022	December 31, 2022	Explanations of the Board of Directors
				structure. In addition, there has been a decrease of approximately $252 thousand dollars in assets in respect of rights of use (IFRS16) from the current amortization of assets.
Total Assets	72,484	**93,775**	**80,418**	-
Current liabilities	3,699	4,347	4,121	Most of the decrease in the amount of $422 thousand stems from a decrease in liabilities to suppliers and other payables mainly due to payments for inventory ordered in the previous year.
Non-current liabilities	998	1,599	1,201	Most of the decrease in the amount of $203 thousand stems from the termination of the lease of some of the Company's offices.
Total equity	67,787	87,829	75,096	Most of the decrease stems from a loss in the first half of 2023.
Total liabilities and equity	72,484	**93,775**	**80,418**	-

1.7 Operating results

The following is an analysis of the operating results in accordance with the financial statements (in thousands of dollars):

Section	For the period of six months ending on June 30		For the period of one year ending on December 31	Explanations of the Board of Directors
	2023	2022	2022	
Revenue	1,047	1,660	4,208	The main change compared to the corresponding period last year resulted from a decrease in robot sales activity of about $824 thousand. On the other hand, there was an increase in revenue from maintenance activity of about $211 thousand.
Cost of revenues	1,406	1,152	3,465	The main change resulted from a decrease in robot sales activity, as stated above, plus gross profit erosion in the robot sales activity. In addition, there was a reduction in inventory and provision for impairment of inventory in the total amount of $619 thousand.
Research and development expenses, net	4,256	4,735	11,059	The main expense is for the salaries of employees and consultants.
Impairment of assets	1,004	-	3,832	Following the continuous decline in the share price, the company examined the value of its assets as required by IFRS standards and depreciated its assets in accordance with this examination. In the first half of 2023, an impairment of 385K dollars was made for the reduction of fixed assets and another 619K dollars for the impairment of deferred expenses. In 2022, the intangible R&D was depreciated by $3.8 million.

Section	For the period of six months ending on June 30		For the period of one year ending on December 31	Explanations of the Board of Directors
	2023	2022	2022	
Management and general expenses	2,164	2,706	5,271	Most of the change compared to the corresponding period last year stems from a decrease in expenses for consultants in the amount of about $535 thousand.
Sales and marketing expenses	793	1,034	2,150	The main change compared to the corresponding period last year stems from a decrease in expenses for consultants of about $240 thousand.
Other expenses, net	19	-	-	Loss from sale of fixed assets
Operating loss	8,595	**7,967**	**21,569**	
Financing expenses (income), net	(1,202)	164	(101)	The main change stems from an increase in the value of the Company's investment portfolio in the amount of about $938 thousand, compared with a decrease of about $245 thousand in the corresponding period last year.
Income taxes	33	3	18	-
Loss for the year	7,426	**8,134**	**21,486**	-

1.8 Liquidity

The following is an analysis of the Company's cash flows in accordance with the financial statements (in thousands of dollars):

Section	For the period of six months ending on June 30		For the year ending on December 31	Explanations of the Board of Directors
	2023	2022	2022	
Cash flow from operating activities	(8,194)	(7,051)	(18,735)	The change vis-à-vis the corresponding period last year is mainly due to a decrease in robot sales activity as well as the purchase of inventory from suppliers.
Cash flow from investing activities	348	(48,725)	(49,112)	The change vis-à-vis the corresponding period last year is mainly due to investment in securities, purchase of fixed assets as well as capitalization of development costs made in the corresponding period last year.
Cash flow from financing activities	(262)	(279)	(581)	-

1.9 Sources of funding

The Company finances its activities mainly from its own means (equity and operating results) and capital raising.

For details regarding the exercise of non-marketable options for Company shares (employee options) during the Reporting Period, see section 1.3.9 above.

As part of the Company's engagement with its customers in agreements to sell the Company's systems, the Company is required to provide bank guarantees to ensure the performance of its (and/or companies under its control) obligations according to the sale agreement. It should be noted that some of the guarantees stated to the Company's customers in India are provided by Ecoppia Scientific LLP. As of the date of the report, no guarantees were forfeited by any of the Company's customers. The total guarantees given to customers as of June 30, 2023, stands at approximately $413 thousand. Against these guarantees, the Company pledged the same amount in favor of the banking entities that issued the guarantees.

The company provided a guarantee as part of the lease agreement for the offices in Israel. The aforementioned guarantee is in amounts that are not immaterial to the Company.

The Company deposited a guarantee in favor of the Ministry of Employment and Trade in connection with a grant to hi-tech companies that employ highly paid employees in development areas, as described in section 16.9 of the Periodic Report, in an amount that is not material to the Company.

Against the guarantees in favor of the lease agreement and the Ministry of Employment as stated above, the Company pledged cash in a guaranteed cumulative amount of $749 thousand.

1.10 Working capital

The Company's working capital consists of current assets that include balances of cash and cash equivalents, balances of accounts receivable and other receivables and inventory, minus current liabilities that include balances of suppliers and other payables. Below are data regarding the Company's working capital (surplus of current assets over current liabilities), as of June 30, 2023, in thousands of dollars:

	As of June 30, 2023
Current assets	68,577
Current liabilities	3,699
Excess on current assets over current liabilities	64,878

The credit period for most of the Company's customers ranges from 30 to 60 days, depending on the volume of activity with the customer and the Company's assessment of its financial strength. The average credit period granted by the Company to customers was about 45 days in the Reporting Period. The average customer balance was $873,000 during the Reporting Period.

The period of credit days from the main suppliers of the Company ranges from 30 to 90 days on average. The average credit period of the main suppliers of the company was about 69 days in the Reporting Period. The average balance of suppliers was $908 thousand during the Reporting Period.

2. Part II – Exposure to Market Risks and Ways of Managing Them

2.1 The Person Responsible for Managing Market Risks in the Company

The person in charge of managing market risks in the company is Ms. Ariela Hasbani Gavriel, CFO of the company (for details about Ms. Hasbani Gavriel, see the Company's immediate report dated July 6, 2023 (reference number: 2023-01-076824)).

2.2 Description of the market risks to which the Company is exposed:

2.2.1 Credit risk - the Company provides short-term credit (usually 30-60 days) to its customers as part of its ongoing engagements with them. As a rule, the Company's sales to its customers are carried out in relation to projects financed by banks and institutional bodies, accordingly, the financial strength of the Company's customers is examined by those entities, both in relation to the customer and in relation to the project. Due to this, the Company's management believes that the customer credit risk to which it is exposed is low.

2.2.2 Exchange rate - The Company's operating currency is USD. Some of the payments to the Company's suppliers as well as employee wages and income from its customers are made in currencies different from the dollar (mainly in rupee or ILS). However, most of the Company's revenues are linked to the US dollar, so significant exchange rate fluctuations may have a limited effect on the Company's business results in its field of operations. The strengthening of the dollar against the shekel helps the Company reduce its expenses, especially in the field of employee wages.

2.3 Company Policy in Managing Market Risks

2.3.1 Credit risk - As stated above, the Company provides products and services to infrastructural photovoltaic facilities funded, as a rule, by project financing (from banks and institutional entities). The financial strength of the customers is examined by the financing entities, and they are obligated to repay the payments for the products and services. Besides, most of the Company's customers are among the world's leading players in the field of solar energy and have a high financial strength. To the extent that, in the future, the Company will begin to provide products and services to higher risk customers, the Company will conduct a credit survey for those potential customers prior to the sale and provision of the services.

2.4 Investment Policy of Cash Balances

In accordance with the policy approved by the Company's Investment Committee, and in accordance with the instructions from time to time by the Committee, the Company invested in the Report Period the dollar cash balances in accordance with the currency of its activity in short-term deposits and short-term bonds. Due to the current and short nature of the Company's above investments, including due to the fact that the bonds will mature into repayment, as well as the dollar investment currency, the interest rate fluctuations will not materially affect the value of the financial assets.

The foregoing includes forward-looking information, as defined in the Securities Law, which is based on the data held by the Company's management at the date of approval of the report, and which there is no certainty as to its materialization. Changes in the data held by the Company or global worsening may affect the Company's assessments and these may not materialize, in whole or in part, or may materialize differently, including substantially, than expected, and this, inter alia, as a result of sub-optimal assumptions and analyses, from developments that cannot be fully estimated in connection with the state of the markets and its implications, or the realization of all or part of the risk factors listed in section 31 of the periodic report.

3 Part III - Aspects of Corporate Governance

3.1 Donations

As of the date of the report, the Company has not adopted a donation policy. During the Reporting Period, the Company did not make any donations.

3.2 Directors with Accounting and Financial Expertise

The Company's Board of Directors has determined, in accordance with Section 92(a) (12) of the Companies Law, that the minimum number of directors with accounting and financial expertise is two (2).

This determination of the Board of Directors was made taking into account, inter alia, the size of the Company, its type of activity, the number of members of the Board of Directors and the composition of the Board of Directors, which includes people with experience and managerial and professional skills.

As of the date of approval of the report, the Company has two directors with accounting and financial expertise: Mr. Eran Meller and Ms. Tal Yaron-Eldar. For details regarding the education and experience of the aforementioned directors on the basis of which the Company considers them to be directors with accounting and financial expertise, see regulation 26 in part D of the Periodic Report.

3.3 Independent Directors and External Directors

As of the date of this report, the Company has not adopted a provision regarding the rate of independent directors (as this term is defined in the Companies Law) to serve on the Company's Board of Directors. It should be noted that as of the date of the report, two independent directors (who are external directors) serve on the Company's Board of Directors: Ms. Tal Yaron-Eldar and Mr. Amir Fishlov.

3.4 Disclosure Regarding an Authorized Signatory in the Corporation

At the date of the report, the Company has no independent signatories.

4 Part IV - Disclosure Provisions in Connection with the Corporation's Financial Reporting

4.1 Critical Accounting Estimates

For details regarding critical accounting estimates, see Note 3 to the consolidated financial statements as of December 31, 2022, which were attached as Chapter C to the Periodic Report as well as Note 2B to the consolidated Financial Statements as of June 30, 2023.

4.2 State of the Company's Liabilities

The Company publishes, at the same time as this report, a report on the state of the Company's liabilities according to maturity dates (T-126)

4.3 Events after the Balance Sheet Date

For details regarding events after the balance sheet date, see Note 10 to the Company's consolidated Financial Statements as of June 30, 2023.

Eran Meller, **Chairman of the Board of Directors**	**Eran Dgani,** **CEO**

Date: August 30, 2023

Ecoppia Scientific LTD.
Financial Statements for Interim Period
(Unaudited)
June 30, 2023

Ecoppia Scientific LTD.

Financial Statements for Interim Period
(Unaudited)
June 30, 2023

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Auditing Accountant's Review for the Shareholders of Ecoppia Scientific LTD

Preface

We have reviewed the attached financial figures for Ecoppia Scientific LTD and consolidated companies (hereinafter: **The Company**), which includes the Consolidated Interim Statement on the Financial Position as of June 30, 2022, and the Consolidated Interim Statement on the Comprehensive Loss, Changes in Equity and Cash Flows for the periods of six months then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial figures for said interim period pursuant to international accounting standard IAS 34, Financial Reporting for Interim Periods, and are further responsible for the preparation of financial figures for said interim period pursuant to Part D of the Securities Regulations (Periodic and Intermediate Reports), 1970. Our responsibility is to present a conclusion with regards to the financial figures for said interim period based on our review.

Scope of the Review

We have prepared our review pursuant to Review Regulation (Israel) 2410 issued by the Institute of Certified Public Accountants in Israel pertaining to the Review of Financial Figures for Interim Periods Prepared by an Entity's Auditing Accountant. A review of financial figures for an interim period is comprised of enquiries, primarily with the individuals responsible for financial and accounting matters, and the implementation of other analytical review procedures. A review is materially limited in scope in comparison to audits undertaken pursuant to generally accepted auditing standards in Israel and does not therefore allow us to achieve certainty that we shall be made aware of all material matters which may have been uncovered by an audit. Accordingly, we do not provide an auditing opinion.

Conclusion

Based on our review, we did not become aware of any factor that leads us to believe that the aforementioned financial figures have not been prepared, in all material aspects, in accordance with international accounting standard IAS 34.

Further to the aforementioned in the previous paragraph, based on our review, we have not been made aware of any factor that leads us to believe that the aforementioned financial figures do not comply, in all material aspects, with the provisions pertaining to disclosure set forth in Part D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
August 30, 2023

Kesselman & Kesselman
CPAs
PricewaterhouseCoopers International Limited Member Firm

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Ecoppia Scientific LTD

Condensed Consolidated Statements of the Financial Position as of June 30, 2023 and 2022

	June 30		December 31
	2023	2022	2022
	(Unaudited)		(Audited)
	USD thousands		
Assets			
Current Assets:			
Cash and Cash Equivalents	9,862	30,461	18,005
Financial Assets at FVPL	46,171	44,755	45,233
Restricted Deposits	393	744	748
Accounts Receivable	370	1,447	1,376
Other Receivables	5,555	2,993	5,089
Inventory	6,226	4,401	5,202
	68,577	84,801	75,653
Non-Current Assets:			
Fixed Assets, Net	2,187	2,763	2,878
Intangible Assets	-	3,832	-
Restricted Deposits	356	274	271
Lease Assets	1,364	2,105	1,616
	3,907	8,974	4,765
Total Assets	**72,484**	**93,775**	**80,418**
Liabilities and Equity			
Current Liabilities:			
Trade Payables	560	524	1,010
Other Payables	2,148	2,578	2,027
Contract Liabilities	577	687	581
Current Maturities of Lease Liabilities	414	558	503
	3,699	4,347	**4,121**
Non-Current Liabilities			
Lease Liabilities	747	1,335	940
Severance Pay Obligations, Net	251	264	261
	998	1,599	1,201
Total Liabilities	**4,697**	**5,946**	**5,322**
Equity			
Ordinary Shares	3	3	3
Share Premium	145,663	145,598	145,621
Accumulated deficit	(77,879)	(57,772)	(70,528)
Total Equity	67,787	87,829	75,096
Total Liabilities and Equity	**72,484**	93,775	**80,418**

Eran Meller	Eran Dgani	Ariela Hasbani-Gavriel
Chairman of the Board of Directors	**CEO**	**CFO**

Date of approval of the financial statements on the Board of Directors of the company: August 30, 2023.

The appended footnotes form an integral part of the Consolidated Interim Financial Statements.

Ecoppia Scientific LTD

Condensed Consolidated Statements of the Comprehensive Loss

for the six-month periods ended June 30, 2023 and 2022

	6 months Ended June 30		Year ended on December 31
	2023	2022	2022
	(Unaudited)		(Audited)
	USD thousands		
Revenues	1,047	1,660	4,208
Cost of revenues (*Including 619 thousand USD provision for impairment of inventory and amortization of inventory)	*1,406	1,152	3,465
Gross profit (Loss)	**(359)**	**508**	**743**
Research and development Expenses	4,256	4,735	11,059
Impairment of Asset	1,004	-	3,832
Sales and Marketing Expenses	793	1,034	2,150
General and Administrative Expenses	2,164	2,706	5,271
Other expenses, net	19	-	-
Operating Loss	**8,595**	**7,967**	**21,569**
Financing Expenses	37	241	394
Financing Income	(1,239)	(77)	(495)
Financing Expenses (Income), net	**(1,202)**	**164**	**(101)**
Loss before income taxes	**7,393**	**8,131**	**21,468**
Income taxes	33	3	18
Net Comprehensive Loss for the Period	**7,426**	**8,134**	**21,486**
Loss per Share (USD):			
Basic and diluted	**0.08**	**0.08**	**0.22**

The appended footnotes form an integral part of the Consolidated Interim Financial Statements.

Ecoppia Scientific LTD

Condensed Consolidated Statements of Changes in Equity

	Ordinary share capital	Premium on shares and warrants	Retained earnings	Total capital
		USD thousands		
Balance as of January 1, 2023 (Audited)	**3**	**145,621**	**(70,528)**	**75,096**
Change during the 6 months period ended June 30, 2023 (unaudited):				
Share-based payment			75	75
Exercise of options	*	42		42
Net Comprehensive Loss for the period			(7,426)	(7,426)
Balance as of June 30, 2023 (Unaudited)	**3**	**145,663**	**(77,879)**	**67,787**
Balance as of January 1, 2022 (Audited)	**3**	**145,598**	**(49,995)**	**95,606**
Change during the 6 months period ended on June 30, 2022 (Unaudited):				
Share-based payment			357	357
Net Comprehensive Loss for the period			(8,134)	(8,134)
Balance as of 30 June 2022 (Unaudited)	**3**	**145,598**	**(57,772)**	**87,829**
Balance as of January 1, 2022 (Audited)	3	145,598	(49,995)	95,606
Change during 2022:				
Net Comprehensive Loss for the year			(21,486)	(21,486)
Exercise of options	*	23		23
Share-based payment			953	953
Balance as of December 31, 2022 (Audited)	**3**	**145,621**	**(70,528)**	**75,096**

*** Represents an amount lower than one-thousand USD**

The appended footnotes form an integral part of the Consolidated Interim Financial Statements.

Ecoppia Scientific LTD

Condensed Consolidated Statements of Cash Flows

for the six-month periods ended June 30, 2023 and 2022

	6 months ended on June 30		Year ended on December 31
	2023	2022	2022
	(Unaudited)		(Audited)
	USD thousands		
Cash Flows Used for Operating Activities			
Net cash used for operations (see Appendix A)	(8,165)	(7,048)	(18,734)
Income taxes paid	(29)	(3)	(1)
Net Cash Used for Operating Activities	(8,194)	(7,051)	(18,735)
Cash Flows from (Used for) Investing Activities:			
Purchase of fixed assets	(144)	(1,581)	(2,158)
Proceeds from sale of fixed assets	53	-	24
Purchase of financial assets	-	(45,000)	(45,000)
Interest received	204	77	262
Development Expenditures	-	(2,151)	(2,151)
Change in restricted deposits	235	(70)	(89)
Net cash derived from (used in) investing activities	348	(48,725)	(49,112)
Cash Flows Used for Financing Activities:			
Exercise of Warrants	42	-	23
Interest paid	(26)	(30)	(66)
Principal Payments Pertaining to Leases	(278)	(249)	(538)
Net cash used for financing activities	(262)	(279)	(581)
Decrease in cash and cash equivalents	(8,108)	(56,055)	(68,428)
Cash and Cash Equivalents at the Beginning of the Period	18,005	86,765	86,765
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(35)	(249)	(332)
Cash and Cash Equivalents at End of Period	**9,862**	**30,461**	**18,005**

Ecoppia Scientific LTD

Condensed Consolidated Statement of Cash Flows (continued)

for the six-month periods ended June 30, 2023

	6 months ended on June 30		**Year ended on December 31**
	2023	2022	2022
	(unaudited)		**(audited)**
	USD thousands		
Net cash used for operations:			
Comprehensive loss for the period	(7,426)	(8,134)	(21,486)
Adjustments due to:			
Depreciation and Amortization	691	539	1,295
Share-based payment	75	357	953
Financial Expenses	(7)	(101)	(37)
Impairment of Assets	1,004	-	3,832
Losses from impairment of inventory	619	-	-
Capital loss from sale of fixed assets	22	-	-
Income taxes paid	29	3	1
Interest received	(204)	(77)	(262)
Fair value loss on financial assets, at FVPL	(938)	245	(233)
Effects of Exchange Rate Change on Cash and Cash Equivalents	35	249	332
Decrease in Employee Severance Liabilities, Net	(10)	(4)	(7)
	(6,110)	(6,923)	5,874
Changes in operating assets and liabilities items			
Increase in inventory	(1,643)	(996)	(1,797)
Decrease (increase) in other receivables	(1,085)	131	(1,965)
Decrease in accounts receivable	1,006	254	325
Increase (decrease) in accounts payable	(450)	(137)	349
Decrease in Contract Liabilities	(4)	-	(106)
Increase in other payables	121	623	72
	(2,055)	(125)	(3,122)
Net cash used for Operating Activities	(8,165)	(7,048)	(18,734)
Lease asset against lease liability	28	1,531	1,342

The appended footnotes form an integral part of the Consolidated Interim Financial Statements.

Note 1 – General

A. Incorporation and activity

Ecoppia Scientific LTD (the "Company") is a public Company whose shares are listed for trading on the Tel Aviv Stock Exchange (the "Stock Exchange").

The Company and its subsidiaries (hereinafter jointly: **The Group**) develop, market, operate and maintain cloud-technology based robotic systems for the cleaning of solar panel installations.

The Company was incorporated in Israel in January 2013 and is a resident of Israel. Company's registered office address is 12 Rotem Street, Misgav, Israel.

The Company has five wholly-owned subsidiaries, as follows: **Ecoppia Scientific LLP** (hereinafter: the Subsidiary), a limited partnership incorporated in India in August 2016; **Evermore United SA**, a private Company incorporated in October 2014 in the British Virgin Islands; **Ecoppia Scientific SL**, a private Company incorporated in July 2022 in Spain; **Ecoppia Scientific SpA**, a private Company incorporated in May 2022 in Chile; and **Ecoppia Scientific LLC**, a private Company incorporated in August 2022 in the United States.
The financial information for the interim period is reviewed and not audited.

B. Efficiency Program

On November 10, 2022, the Company's Board of Directors resolved to approve an efficiency plan for reducing the Company's expenses. The plan includes, among other things, reduction of operating expenses, R&D, marketing and sales, including a reduction (subject to any law) in the size of the Company's personnel in Israel and abroad (mainly in the areas noted above), as well as considering termination of the employment of certain directors in those departments.
As part of the efficiency program, the Company intends to focus on marketing and selling the Company's existing robot models: the E4, T4 and H4, and to slow down the development of future products. As of the date of the report, the company intends to continue to improve the performance of its existing products, and to develop, albeit at a slower pace, additional and complementary solutions.

On June 1, 2023, the Company's Board of Directors resolved on additional efficiency measures that include, among other things, a significant reduction in the Company's expenses (up to 47%, not including expenses related to the Company's maintenance services). A significant part of the reduction concerns an additional decrease in the Company's workforce by up to 48% (except for O&M teams). As of the date of the report, the Company's workforce has decreased by about 32%. The remaining part of the reduction is expected to be complete in the fourth quarter of 2023 (mainly due to the advance notice periods for some employees).

Note 2 - The Basis for the Preparation of the Condensed Financial Statements:

A. The Group's condensed consolidated financial information for June 30, 2023 and the interim period of the six months ended on that date (hereinafter: the Interim Financial Information) was compiled in accordance with International Accounting Standard 34 Interim Financial Reporting (hereinafter: IAS 34), and includes the additional disclosure required in accordance with Chapter D of the Securities (Periodic and Immediate Reports), Regulations, 5730-1970. The interim financial information does not include all the information and disclosures required within annual financial statements. The interim financial information must be viewed together with the annual financial statements for 2022 and the attached notes, which comply with the International Financial Reporting Standards, which are standards and interpretations published by the International Accounting Standards Board (hereinafter: the IFRS Standards) and include the additional disclosure required in accordance with the Securities (Annual Financial Statements) Regulations, 5770-2010.

The Group's income and operating results for the six-month period ended on June 30, 2023 do not necessarily indicate the revenue and results that can be expected in the year ending December 31, 2023.

B. Estimates

Conducting interim financial statements requires the Group's management to exercise discretion and also requires the use of accounting estimates and discounts, which affect the Group's implementation of its accounting policies and the amounts of assets, liabilities, income and reported expenses. Actual results may differ from these estimates. In the preparation of these consolidated interim financial statements, the significant considerations exercised by the management in the implementation of the Group's accounting policies and the uncertainty associated with the key sources of the estimates were identical to those in the Group's consolidated annual financial statements for the year ended on December 31, 2022.

Note 3 – Significant Accounting Policies

1. The significant accounting policies and methods of calculation that were implemented in the preparation of the financial information for the interim period are consistent with those used in the preparation of the annual financial statements for 2022.
   Income taxes for the interim periods are recognized based on the management's best estimate of the average tax rate that will apply to the total projected annual earnings.

2. New standards and amendments to existing standards that have come into force and are binding since 2023 are as follows:

   <u>Amendment to International Accounting Standard 1 Presentation of Financial Statements</u> (hereinafter: Amendment to IAS 1)

   The Amendment to IAS 1 requires companies to disclose their material accounting policies in lieu of their significant accounting policies. According to the Amendment, information about the accounting policies is material if, when taken into account together with other information provided in the financial statements, it can reasonably be expected to affect decisions that the primary users of the financial statements make on the basis of these financial statements.

   The Amendment to IAS 1 also clarifies that information about accounting policies is likely to be material if, without it, users of the financial statements are denied the opportunity to understand other material information in the financial statements. In addition, the Amendment clarifies that there is no need to disclose information about insignificant accounting policies. However, if such information is provided, it is appropriate that it does not distract from material information about accounting policies.

   The Amendment to IAS 1 applies to annual periods beginning on or after January 1, 2023. The Group is preparing to implement the Amendment to IAS 1 for the disclosure that will be given of its accounting policies in the annual financial statements/consolidated statements for 2023.

   The initial implementation of the Amendment to IAS 1 is not expected to have a material effect on the Group's consolidated financial statements.

Note 4 – Capital

Grant of Options

A. In March 2023, the Company granted employees 190,000 warrants to purchase ordinary shares of the Company. Each option can be exercised into one ordinary share of the Company in exchange for ILS 1.1706 for 10 years from the date of grant. The warrants will be vested over a period of three years. The total value of the award according to the Black and Sholes model amounts to USD 26 thousands.

B. In May 2023, the Company granted the Company's employee 100,000 warrants to purchase ordinary shares of the Company. Each option can be exercised into one ordinary share of the Company in exchange for ILS 1.1626 for 10 years from the date of grant. The warrants will be vested over a period of three years. The total value of the award according to the Black and Sholes model amounts to USD 13 thousand.

C. In June 2023, the Company granted the Company's employee 70,000 warrants to purchase ordinary shares of the Company. Each option can be exercised into one ordinary share of the Company in exchange for ILS 1.1113 for 10 years from the date of grant. The warrants will be vested over a period of 3 years. The total value of the award according to the Black and Sholes model amounts to USD 9,000.

Note 4 – Capital (continued):

Exercise of options

In the first half of 2023, 307,600 warrants were exercised. The total consideration amounted to approximately USD 42 thousand, of which 65,000 options were exercised net, i.e. cashless, into 33,493 shares.

Expiration of options

On April 25, 2023, 1,518,900 options that were granted to a customer expired. In addition, 652,557 options, which were granted to employees who left or whose employment ended under the efficiency program described above, expired and did not vest as of June 30, 2023.

Note 5 – Financial Instruments

Financial assets are measured at fair value. The gains or losses resulting from changes in fair value are presented in profit or loss as part of net financing expenses. All investments in financial assets are in short-term debt instruments (bonds) and short-term deposits (on call), which are held in dollar currency.

<u>The fair value hierarchy of financial instruments measured at fair value</u>:

Below is an analysis of the Group's financial instruments measured at fair value, using an estimation method according to the fair value levels in the hierarchy.

The different levels were defined as follows:

● Level 1: quoted (unadjusted) prices in an active market for identical devices;
● Level 2: observable data, directly or indirectly, not included in Level 1 above;
● Level 3: data not based on observable market data.

The fair value of the investment in marketable securities, in the amount of approximately USD 46,171 thousand, is measured according to prices quoted in an active market and is therefore classified at Level 1.

	As of June 30, 2023	
	Level 1	Total
	(unaudited)	
	USD thousands	
Financial assets:		
Financial assets at fair value through profit or loss:		
Investments in on call deposits	23,799	23,799
Investments in corporate Bonds	15,459	15,459
Investments in Government Bonds	6,913	6,913
Total financial assets	**46,171**	**46,171**

Note 6 – Income

The following is the composition of the income for the reported periods:

	6 months ended on 30 June 30		Year ended on December 31
	2023	**2022**	**2022**
Income from Sale of Robotic Systems	151	975	2,623
Income from Maintenance Services	896	685	1,585
	1,047	**1,660**	**4,208**

Note 7 – Cost of Revenues

	6 months ended on 30 June 30		Year ended on December 31
	2023	**2022**	**2022**
Cost of revenues from the sale of Robotic Systems	177	746	2,371
Cost of revenues from Maintenance Services	610	406	1,094
Amortization and Impairment of Inventory	619	-	-
	1,406	**1,152**	**3,465**

Note 8 – Impairment

1. **Inventory**

In light of the efficiency plan as mentioned in note 1c and considering the company's ability to realize the finished product inventory of the E4 type robots within a time frame of 12 months from the date of the financial report, the company's management decided to designate the inventory balances for maintenance use. Therefore, the Company will disassemble the systems during the third and fourth quarters of 2023. Considering the above mentioned, the company performed a calculation of the components usable for maintenance and accordingly recorded a provision for inventory impairment in the amount of 333 thousand dollars for the components not usable for maintenance. In addition, during the period, the company recorded an inventory depreciation of 286 thousand dollars.

2. **Fixed assets**

As part of the efficiency plan mentioned in note 1c above, the company reduced the use of the premises of the company's building in Israel and began steps to find a subtenant for part of the building. In light of the above, the company recognized during the period a decrease in value in the amount of approximately 385 thousand dollars for its investment in improvements to the leased property in this building.

3. **Other Receivables (Deferred Expenses)**

During the period of the report, the company decided to depreciate deferred expenses in the amount of 619 thousand dollars, which were capitalized during the first project of the T4 product carried out with a strategic customer (today and in the past). The expenses were accrued for experiments carried out in the project area abroad, software updates and prototype production for different versions of the product. The company estimates that it cannot say that the asset is recoverable with a high level of certainty and therefore the asset was depreciated.

Note 9- Related parties

On May 24, 2023, the CEO of the company notified the company's board of directors of his resignation. In view of the above and following the meeting of the company's board of directors on May 23, 2023, the company's board of directors decided on May 26, 2023, to appoint the company's chief operating officer for the last 7 years, to serve as CEO of the company. His appointment as CEO of the company began on May 28, 2023.
On May 26, 2023, the compensation committee and the company's board of directors approved the salary and the social benefits of the new CEO. His package include a gross monthly salary of 46,000 ILS, which reflects a monthly cost of about 60,000 ILS for the company, and related benefits (Company’s car, mobile phone expenses, annual leave, sickness, provisions for pension and executive insurance and a training fund); A grant in the amount of 100 thousand ILS to be paid at the earliest of (a) 12 months have passed since the beginning of his position or (b) the sale of the company or its activities, subject to his continued employment with the company until that date; 100,000 options in accordance with the terms of the option coverage and the option employment agreements accepted in the company. A 3-month prior notice was agreed upon between the parties.

Note 10 – Events after the Balance Sheet Date

1. In July 2023, 24,614 warrants granted to the employee were exercised without an exercise premium.

2. In July and August 2023, 548,936 options, which were granted to employees who left or whose employment was terminated in the efficiency program, expired, and did not vest as of the date of the report.