

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No.: 001-39957

Maris-Tech Ltd.

(Exact name of registrant as specified in its charter)

Translation of registrant's name into English: Not applicable

Israel

(Jurisdiction of incorporation or organization)

**2 Yitzhak Modai Street
Rehovot, 7608804**

Israel

(Address of principal executive offices)

Israel Bar

Chief Executive Officer

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2 Yitzhak Modai Street

Rehovot, 7608804

Israel

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Ordinary Shares, no par value per share

MTEK

Nasdaq Capital Market

Warrants to Purchase Ordinary Shares

MTEKW

Nasdaq Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 8,104,180 ordinary shares as of December 31, 2024.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No X

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act of 1934.

Yes ☐ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ☐

Indicate by check mark whether the registrant has submitted every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

Yes X No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer

X

Emerging growth company

X

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act. ☐

†The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company.

Yes ☐ No ☒

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Maris - Tech Ltd.

INTRODUCTION

In this Annual Report on Form 20-F, or this Annual Report, unless the context otherwise requires, "we", "us", "our", the "Company" and "MTEK" refer to Maris-Tech Ltd. and its wholly owned subsidiary, Maris North America Inc., or Maris U.S., a company incorporated under the laws of Delaware.

Maris-Tech Ltd. was incorporated in Israel in 2008 under the name "Maris Technologies Marketing Ltd." On November 4, 2020, we changed our name to "Maris-Tech Ltd."

We are a business-to-business approach, or B2B, provider of video and artificial intelligence, or AI, based edge computing technology, pioneering intelligent video transmission solutions that conquer complex video processing challenges. Our miniature, lightweight, and low-power products deliver high-performance capabilities including raw data processing, seamless transfer, advanced image processing, and AI-driven analytics. Founded by Israeli technology-sector veterans, we serve leading manufacturers worldwide in defense, aerospace, intelligence gathering, homeland security, or HLS, unmanned vehicles and drones, smart city and communication industries as well as governmental HLS and defense-end customers.

All trademarks or trade names referred to in this Annual Report are the property of their respective owners. Solely for convenience, the trademarks and trade names in this Annual Report are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend the use or display of other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

Our reporting currency and functional currency is the U.S. dollar. Unless otherwise expressly stated or the context otherwise requires, references in this Annual Report to "NIS" are to New Israeli Shekels, and references to "dollars" or "\$" mean U.S. dollars.

We report our financial statements in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. Unless derived from our financial statements or otherwise noted, amounts presented in this Annual Report are translated at the rate of NIS 3.647 = USD 1.00, the exchange rate between the NIS and the U.S. dollar reported by the Bank of Israel as of December 31, 2024.

This Annual Report includes statistical, market and industry data and forecasts which we obtained from publicly available information and independent industry publications and reports that we believe to be reliable sources. These publicly available industry publications and reports generally state that they obtain their information from sources that they believe to be reliable, but they do not guarantee the accuracy or completeness of the information. Although we believe that these sources are reliable, we have not independently verified the information contained in such publications.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this Annual Report may be deemed to be "forward-looking statements". Forward-looking statements are often characterized by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue," "believe," "should," "intend," "project" or other similar words, but are not the only way these statements are identified.

These forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, statements that contain projections of results of operations or of financial condition, expected capital needs, and expenses, statements relating to the research, development, completion and use of our products, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. We have based these forward-looking statements on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments, and other factors they believe to be appropriate.

Important factors that could cause actual results, developments, and business decisions to differ materially from those anticipated in these forward-looking statements include, among other things:

- our ability to raise capital through the issuance of additional securities;
- our planned level of revenues and capital expenditures;
- our belief that our existing cash and cash equivalents, as of December 31, 2024, will be sufficient to fund our operations through the next twelve months;
- our ability to market and sell our products;
- our plans to continue to invest in research and development to develop technology for both existing and new products;
- our plans to collaborate, or statements regarding the ongoing collaborations, with partner companies;
- our ability to maintain our relationships with suppliers, manufacturers, and other partners;
- our ability to maintain or protect the validity of our intellectual property;
- our ability to retain key executive members;
- our ability to internally develop and protect new inventions and intellectual property;
- our ability to expose and educate the industry about the use of our products;
- our expectations regarding our tax classifications;
- how long we will qualify as an emerging growth company or a foreign private issuer;
- interpretations of current laws and the passages of future laws;
- general market, political and economic conditions in the countries in which we operate including those related to recent unrest and actual or potential armed conflict in Israel and other parts of the Middle East, such as the multi-front war Israel is facing; and
- those factors referred to in "Item 3. Key Information — D. Risk Factors," "Item 4. Information on the Company," and "Item 5. Operating and Financial Review and Prospects," as well as in this Annual Report generally.

Readers are urged to carefully review and consider the various disclosures made throughout this Annual Report which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

You should not put undue reliance on any forward-looking statements. Any forward-looking statements in this Annual Report are made as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

Our business faces significant risks. You should carefully consider the risks described below, together with all of the other information in this Annual Report. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. If any of these risks actually occurs, our business and financial condition could suffer and the price of our securities could decline. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements, as a result of certain factors including the risks described below and elsewhere in this report and our other Securities and Exchange Commission, or SEC, filings (see "Cautionary Note Regarding Forward-Looking Statements" above).

Summary Risk Factors

Risks Related to Our Business, Industry, Operations and Financial Condition

- we are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing Russia-Ukraine war and the multi front war Israel is facing;

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- we have been operating at a loss since our inception and may never be profitable;
- amounts included in backlog may not result in actual revenue and are an uncertain indicator of our future earnings;
- we may not have sufficient manufacturing capabilities to satisfy any growing demand for our commissioned products. We may be unable to control the availability or cost of producing such products;
- we operate in an evolving industry and, as a result, our past results may not be indicative of future operating performance;
- our commercial success depends upon the degree of market acceptance by the professional, HLS, and defense markets as well as by other prospective markets and industries;
- we may not be able to introduce products acceptable to customers and we may not be able to improve the technology used in our current systems in response to changing technology and end-user needs;
- potential growth of our business is based on international expansion, making us susceptible to risks associated with international sales and operations;
- we expect to face significant competition. If we cannot successfully compete with new or existing technologies or future developed products, our marketing and sales will suffer and we may never be profitable;
- significant merchandise returns and recalls of our ready-made products could harm our business;
- if we fail to offer high-quality customer support, our business and reputation may suffer;
- our reliance on third-party suppliers for most of the component parts of our products could harm our ability to meet demand for our products in a timely and cost-effective manner;
- if we are unable to establish significant sales, marketing and distribution capabilities or enter into successful relationships with business targets and third parties to perform these services, we may not be successful in commercializing our products and technology;
- we may require substantial additional funding to grow our business, which may not be available to us on acceptable terms, or at all;
- we may not accurately forecast revenues, profitability and appropriately plan our expenses;
- we rely on highly skilled personnel, and, if we are unable to attract, retain or motivate qualified personnel, we may not be able to operate our business effectively;
- we may have difficulty in entering into and maintaining strategic alliances with third parties;
- we may not be able to obtain patents or other intellectual property rights necessary to protect our proprietary technology and business;
- we may be unable to keep pace with changes in technology as our business and market strategy evolves;
- significant disruptions of our information technology systems or breaches of our data security could adversely affect our business;
- may be subject to general litigation, regulatory disputes and government inquiries;

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- we have identified material weaknesses in our internal control over financial reporting that could, if not remediated, result in material misstatements in our financial statements. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or

prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our ordinary shares; and

- new regulation as well as regulation in new target territories, including regulation relating to unmanned platforms, video and audio systems, may create obstacles to our sales and marketing efforts.

Risks Related to Israeli Law and our Operations in Israel

- we could be affected by the implications of political, economic and military instability arising from the multi-front war Israel is facing;
- exchange rate fluctuations between foreign currencies and the U.S. Dollar may negatively affect our earnings;
- we may become subject to claims for remuneration or royalties for assigned service invention rights by our employees, which could result in litigation and adversely affect our business; and
- we received Israeli government grants for certain of our research and development activities, the terms of which may require us to pay royalties and to satisfy specified conditions in order to manufacture products and transfer technologies outside of Israel. If we fail to satisfy these conditions, we may be required to pay penalties and refund grants previously received.

Risks Related to Our Status as a Public Company and Ownership of our Ordinary Shares and Warrants

- As of December 31, 2024, our principal shareholders, officers and directors beneficially owned an aggregate of approximately 42.6% of our outstanding Ordinary Shares. They will therefore be able to exert significant control over matters submitted to our shareholders for approval;
- We cannot assure you that our Ordinary Shares and Warrants will remain listed on the Nasdaq Capital Market, or Nasdaq, or any other securities exchange;
- we are an emerging growth company and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our securities less attractive to investors;
- we incur significant increased costs as a result of operating as a public company. Our management is required to devote substantial time to new compliance initiatives as well as compliance with ongoing U.S. requirements;
- the estimates of market opportunity, market size and forecasts of market growth included in our publicly-filed documents may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rate, if at all;
- the market price of our Ordinary Shares and Warrants may be highly volatile and such volatility could cause you to lose some or all of your investment and also subject us to litigation; and
- ownership in the Company may be diluted in the future.

Risks Related to Our Business, Industry, Operations and Financial Condition

Our business, operating results and growth rates may be adversely affected by current or future unfavorable economic and market conditions and adverse developments with respect to financial institutions and associated liquidity risk.

Our business depends on the economic health of the global economy. If the conditions in the global economy remain uncertain or continue to be volatile, or if they deteriorate, including as a result of the impact of military conflict, such as the Russia-Ukraine war and the multi-front war Israel is facing, terrorism or other geopolitical events, our business, operating results and financial condition may be materially adversely affected. Economic weakness, inflation and increases in interest rates, limited availability of credit, liquidity shortages and constrained capital spending have at times in the past resulted, and may in the future result, in challenging and delayed sales cycles, slower adoption of new technologies and increased price competition, and could negatively affect our ability to forecast future periods, which could result in an inability to satisfy demand for our products and a loss of market share.

In addition, increases in inflation raise our costs for commodities, labor, materials and services and other costs required to grow and operate our business, and failure to secure these on reasonable terms may adversely impact our financial condition. Additionally, increases in inflation, geopolitical developments and global supply chain disruptions, have caused, and may in the future cause, global economic uncertainty and uncertainty about the interest rate environment, which may make it more difficult, costly or dilutive for us to secure additional financing. A failure to adequately respond to these risks could have a material adverse impact on our financial condition, results of operations or cash flows.

Any of the abovementioned factors could affect our business, prospects, financial condition, and operating results. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this Annual Report.

We have been operating at a loss since our inception and may never be profitable.

We have been operating at a loss since our inception. In the fiscal years ended December 31, 2024, 2023, and 2022 we had a net loss of \$1,233,892, \$2,709,596 and \$3,688,346, respectively.

We anticipate that our operating expenses will continue to increase as we expand our operations and continue to invest in developing our product pipeline. These expenses may exceed our budgeted amounts and our revenues may not increase sufficiently to turn an operating profit and become cash flow positive. If any of the foregoing occur, we may continue to incur losses and remain unprofitable.

Amounts included in backlog may not result in actual revenue and are an uncertain indicator of our future earnings.

As of January 1, 2025, our backlog was approximately \$9.8 million. As of March 28, 2025, our backlog was approximately \$9.9 million. We define backlog as the accumulation of all pending orders with a later fulfillment date for which revenue has not been recognized and we consider valid. Our backlog is comprised of executed purchase orders from new customers and existing customers with which we have had long-standing relationships and from governmental agencies. The disclosure of backlog aids in the analysis of the demand for our products, as well as our ability to meet that demand. However, because revenue will not be recognized until we have fulfilled our obligations to a customer, there may be a significant amount of time between executing a contract with a customer and delivery of the product to the customer and revenue recognition. In addition, backlog is not necessarily indicative of our revenues to be recognized in a specified future period and we cannot assure that we will recognize revenue with respect to each order included in backlog. Our customers may order products from multiple sources to ensure timely delivery and may cancel or defer orders without significant penalty. Our customers

also may cancel orders when business is weaker, and inventories are excessive. While as of March 28, 2025, no orders were cancelled, should a cancellation occur, our backlog and anticipated revenue would be reduced unless we were able to replace the cancelled order. As a result, we cannot provide assurances as to the portion of backlog to be filled in a given year, and our backlog as of any particular date may not be representative of actual revenues for any subsequent period.

We may not have sufficient manufacturing capabilities to satisfy any growing demand for our commissioned products. We may be unable to control the availability or cost of producing such products.

Our current manufacturing capabilities may not reach the required production levels necessary in order to meet growing demands for any products we may commission or future products we may develop. There can be no assurance that our commissioned products can be manufactured at our desired commercial quantities, in compliance with our requirements and at an acceptable cost. Any such failure could delay or prevent us from shipping said products and marketing our technologies in accordance with our target growth strategies.

We operate in an evolving industry and, as a result, our past results may not be indicative of future operating performance.

We operate in a rapidly evolving industry that may not develop in a manner favorable to our business. Therefore, it may be difficult to assess our future performance. You should consider our business and prospects in light of the risks and difficulties we may encounter.

Our future success will depend in large part upon our ability to, *inter alia*:

- manage our inventory effectively;
- successfully develop, retain and expand our consumer product offering and geographic reach;
- compete effectively;
- anticipate and respond to macroeconomic changes;
- effectively manage our growth;
- hire, integrate and retain talented people at all levels of our organization;
- avoid interruptions in our business from information technology downtime, cybersecurity breaches or labor stoppages;
- maintain the quality of our technology infrastructure; and
- develop new features to enhance functionality.

Our commercial success depends upon the degree of market acceptance by the professional, HLS and defense markets as well as by other prospective markets and industries.

We provide intelligent video transmission, including AI functionality, for professional, HLS and defense applications. Our current business model is that of a B2B in which we seek to identify target businesses interested in integrating our technology, or commissioning individual projects using our technology. Any product that we commission or that is brought to the market may or may not gain market acceptance by prospective customers. The commercial success of our technologies, commissioned products and any future product that we may develop depends in part on the professional, HLS and defense community as well as other industries for various use cases, depending on the acceptance by such industries of our commissioned products as a useful and cost-effective solution compared to current technologies. Even though our B2B products are custom made, step by step with our customers in order to ensure compatibility and acceptance, if our technology or any future product that we may develop does not achieve an adequate level of acceptance, or does not garner significant commercial appeal, we may not generate significant revenue and may not become profitable. The degree of market acceptance will depend on a number of factors, including:

- the cost, size, weight, efficacy, performance, and convenience of our technology in relation to alternative products;

- the ability of third parties to enter into relationships with us without violating their existing agreements;
- the effectiveness of our sales and marketing efforts;
- the strength of marketing and distribution support for competing technology and products; and
- publicity concerning our technology or commissioned products or competing technology and products.

Our efforts to penetrate industries and educate the marketplace on the benefits of our technology, and reasons to seek the commissioning of products based on our technology, may require significant resources and may never be successful. Such efforts to educate the marketplace may require more resources than are required by conventional technologies.

We may not be able to introduce products acceptable to customers and we may not be able to improve the technology used in our current systems in response to changing technology and end-user needs.

The markets in which we operate are subject to rapid and substantial innovation and technological change, mainly driven by technological advances and end-user requirements and preferences, as well as the emergence of new standards and practices. Even if we are able to complete the development of our products, our ability to compete in the unmanned platform markets will depend largely on our future success in enhancing our existing products and developing new systems that will address the varied needs of prospective end-users, and respond to technological advances and industry standards and practices on a cost-effective and timely basis to otherwise gain market acceptance.

Even if we successfully introduce our existing products in development, it is likely that new systems and technologies that we develop will eventually supplant our existing systems or that our competitors will create systems that will replace our systems. As a result, any of our products may be rendered obsolete or uneconomical by our or others' technological advances.

Potential growth of our business is based on international expansion, making us susceptible to risks associated with international sales and operations.

Having consolidated our position in the local Israeli market, we have plans to expand internationally with broad range of the field-tested video and data analytics products. Conducting international operations subjects us to certain risks which include localization of solutions and products and adapting them to local practices and regulatory requirements, exchange rate fluctuations and unexpected changes in tax, trade laws, tariffs, governmental controls and other trade restrictions. To the extent that we do not succeed in expanding our operations internationally and managing the associated legal and operational risks, our results of operations may be adversely affected.

We expect to face significant competition. If we cannot successfully compete with new or existing technologies or future developed products, our marketing and sales will suffer and we may never be profitable.

Based on product comparisons that we have conducted, and in reviewing our products against the comparable products offered by our leading competitors, we believe that our products have significant advantages compared to our competitors, both in terms of miniaturization, latency and functionality, and in our products' ability to provide our customers with a single solution that addresses all their needs in a single customizable, modular product. Nonetheless, we are continuously competing against existing technologies in different industries and we cannot exclude the possibility of new technologies or innovations created by our competitors in the future. Some of these competitors, either alone or together with their collaborative partners, operate larger research and development programs than we do, and may have substantially greater financial resources than we do, which may, in the long run hinder us from competing effectively against our competitors, which could reduce our market share and ability to develop or secure new customers and adversely impact our business, results of operations, financial condition and prospects.

Significant merchandise returns and recalls of our ready-made products could harm our business.

Disruptions affecting the introduction, release or performance of our ready-made products may damage customers' businesses and could harm their and our reputation. We may be subject to warranty and liability claims for damages related to defects in those products. In addition, if we do not meet industry or quality standards, if applicable, then the products may be subject to a recall, a material liability claim, or other occurrence that harms our reputation or decreases market acceptance of our products and could adversely impact our operating results.

If we fail to offer high-quality customer support, our business and reputation may suffer.

High-quality customer support is important for the successful retention of existing customers. Providing this support requires that our support personnel have specific knowledge and expertise of our products and markets, making it more difficult for us to hire qualified personnel and to scale up our support operations. The importance of high-quality customer support will increase as we expand our business and pursue new customers. If we do not provide effective and timely ongoing support, our ability to retain existing customers may suffer, and our reputation with existing or potential customers may be harmed, which would have a material adverse effect on our business, results of operations, financial condition and prospects.

Our reliance on third-party suppliers for most of the component parts of our products could harm our ability to meet demand for our products in a timely and cost-effective manner.

Though we attempt to ensure the availability of more than one supplier for each important component in any product that we commission, the number of suppliers engaged in the provision of the specified components suitable for our miniature intelligent video surveillance and communication technology products is limited, and therefore in some cases we engage with a single supplier, which may result in our dependency on such supplier. As such, we may be subject to disruptions in our operations if our sole or limited supply contract manufacturers decrease or stop production of components or do not produce components and products of sufficient quantity. Alternative sources for our component parts may not always be available. Many of our component parts are manufactured overseas, so they have long lead times, and events such as local disruptions, natural disasters or political conflict may cause unexpected interruptions to the supply of our products or components. As such, the loss of one or more of our specified suppliers, and our inability or delay in finding suitable replacement suppliers, could significantly affect our business, financial condition, results of operations and reputation.

If we are unable to establish significant sales, marketing and distribution capabilities or enter into successful relationships with business targets and third parties to perform these services, we may not be successful in commercializing our products and technology.

Given that we are currently a B2B company, our business is reliant on our ability to successfully attract potential business targets. Furthermore, we have a limited sales and marketing infrastructure and have limited experience in the sale, marketing or distribution of our technologies beyond the B2B model. To achieve commercial success for our technologies or any future developed product, we will need to expand our current sales and marketing infrastructure. There are risks involved with establishing and expanding our own sales, marketing and distribution capabilities. For example, recruiting and training additional sales force could be expensive and time consuming and could delay any product launch. In addition, our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize any future products on our own include:

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;

the inability of sales personnel to obtain access to potential customers;

- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we are unable to establish additional sales, marketing and distribution capabilities or enter into successful arrangements with third parties to perform these services, our revenues and our profitability may be materially adversely affected.

In addition, we may not be successful in entering into arrangements with third parties to sell, market and distribute our products inside or outside of Israel or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively. If we do not establish sales, marketing and distribution capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our technologies or any future products we may develop.

Changes in our insurance coverage may adversely affect our business, financial condition and operational results.

We maintain a public offering of securities insurance and appropriate policies of insurance consistent with those customarily carried by organizations in our industry sector. These increases in the cost of such insurance policies or the industry in which we operate could adversely affect our business, financial condition and operational results. Our insurance coverage may also be inadequate to cover losses it sustains. Uninsured loss or a loss in excess of our insured limits could adversely affect our business, financial

condition and operational results.

We may require substantial additional funding to grow our business, which may not be available to us on acceptable terms, or at all.

As of December 31, 2024 and 2023, we had \$2,335,232 and \$2,083,186 in cash and cash equivalents and restricted deposits, respectively, and \$0 and \$3,148,746 in short-term bank deposits, respectively. While we expect that our existing cash and cash equivalents and our short-term bank deposit as of December 31, 2024, together with anticipated revenue from existing customers pursuant to existing purchase orders, as well as projected revenue from new customers and new orders, will be sufficient to fund our current operations and satisfy our obligations for the next twelve months. We may require additional funding or use our existing line of credit to fund and grow our operations and to complete development of certain products and bring them to the market. There can be no assurance that any financing will be available in amounts or on terms acceptable to us, if at all. In the event we require additional capital, the inability to obtain additional capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our development plans. In that event, shareholders would likely experience a loss of most or all of their investment. Any additional funding that we do obtain may be dilutive to the interests of existing shareholders.

We may not accurately forecast revenues, profitability and appropriately plan our expenses.

We base our current and future expense levels on our operating forecasts and estimates of future income and operating results. Income and operating results are difficult to forecast because they generally depend on the volume sales and timing, which are uncertain. Additionally, our business is affected by general economic and business conditions around the world. A softening in income, whether caused by changes in consumer preferences in the unmanned platform markets, or a weakening in global economies, may result in decreased net revenue levels, and we may be unable to adjust our expenses in a timely manner to compensate for any unexpected shortfall in income. This inability could cause our (loss)/income after tax in a given quarter to be (higher)/lower than expected. We also make certain assumptions when forecasting the amount of expense, we expect related to our share-based payments, which includes the expected volatility of our share price, and the expected life of share options granted. These assumptions are partly based on historical results. If actual results differ from our estimates, our operating results in a given period may be lower than expected.

We rely on highly skilled personnel, and, if we are unable to attract, retain or motivate qualified personnel, we may not be able to operate our business effectively.

Our success depends in large part on the continued employment of senior management and key personnel who can effectively operate our business, as well as our ability to attract and retain skilled employees. Competition for highly skilled management, technical, research and development and other employees is intense and we may not be able to attract or retain highly qualified personnel in the future. In making employment decisions, candidates often consider the value of the equity awards they would receive in connection with their employment. Our long-term incentive programs may not be attractive enough or perform sufficiently to attract or retain qualified personnel.

If any of our employees leave us, and we fail to effectively manage a transition to new personnel, or if we fail to attract and retain qualified and experienced professionals on acceptable terms, our business, financial condition and results of operations could be adversely affected.

Our success also depends on our having highly trained financial, technical, recruiting, sales and marketing personnel. We will need to continue to hire additional personnel as our business grows. A shortage in the number of people with these skills or our failure to attract them to our company could impede our ability to increase revenues from our existing technology and services or launch new product offerings and would have an adverse effect on our business and financial results.

We may have difficulty in entering into and maintaining strategic alliances with third parties.

We may enter into strategic alliances with third parties to gain access to new and innovative technologies and markets. These parties are often large, established companies. Negotiating and performing under these arrangements involves significant time and expense, particularly those with companies that have significantly greater financial and other resources than we do. The anticipated benefits of these arrangements may never materialize, and performing under these arrangements may require significant resources which may affect our results of operations.

We may not be able to obtain patents or other intellectual property rights necessary to protect our proprietary technology and business.

The value of our products depends on our ability to protect our intellectual property, including trademarks, copyrights, patents and moral rights.

We currently have one approved patent and may seek to patent additional concepts, components, processes, designs and methods, and other inventions and technologies that we consider to have commercial value or that will likely give us a technological advantage. Despite devoting resources to the research and development of proprietary technology, we may not be able to develop technology that is patentable or protectable.

Furthermore, any patents issued could be challenged, re-examined, held invalid or unenforceable or circumvented and may not provide sufficient protection or a competitive advantage. In addition, despite efforts to protect and maintain patents, competitors and other third parties may be able to design around their patents or develop products similar to our work products that are not within the scope of their patents. Finally, patents provide certain statutory protection only for a limited period of time that varies depending on the jurisdiction and type of patent.

Prosecution and protection of the rights sought in patent applications and patents can be costly and uncertain, often involve complex legal and factual issues and consume significant time and resources. In addition, the breadth of claims allowed in patents, their enforceability and our ability to protect and maintain them cannot be predicted with any certainty. The laws of certain countries may not protect intellectual property rights to the same extent as the laws of Israel. Even if patents are held to be valid and enforceable in a certain jurisdiction, any legal proceedings that we may initiate against third parties to enforce such patents will likely be expensive, take significant time and divert management's attention from other business matters. We cannot assure that any of our future pending patent applications provide any protectable, maintainable or enforceable rights or competitive advantages to us.

In addition to patents, we will rely on a combination of proprietary know how, copyrights, trademarks, trade secrets and other related laws and confidentiality procedures and contractual provisions to protect, maintain and enforce our proprietary technology and intellectual property rights in Israel and other countries. However, our ability to protect our brands by registering certain trademarks may be limited. In addition, while we will generally enter into confidentiality and nondisclosure agreements with our employees, consultants, contract manufacturers, distributors and resellers and with others to attempt to limit access to and distribution of our proprietary and confidential information, it is possible that:

- misappropriation of our proprietary and confidential information, including technology, will nevertheless occur;
- our confidentiality agreements will not be honored or may be rendered unenforceable;
- third parties will independently develop equivalent, superior or competitive technology or products;

- disputes will arise with our current or future strategic licensees, customers or others concerning the ownership, validity, enforceability, use, patentability or registrability of intellectual property; or
- unauthorized disclosure of our know-how, trade secrets or other proprietary or confidential information will occur.

We cannot assure that we will be successful in protecting, maintaining or enforcing our intellectual property rights. If we are unsuccessful in protecting, maintaining or enforcing our intellectual property rights, then our business, operating results and financial condition could be materially adversely affected, which could:

- adversely affect our reputation with customers;
- be time-consuming and expensive to evaluate and defend;
- cause product shipment delays or stoppages;
- divert management's attention and resources;
- subject us to significant liabilities and damages;
- require us to enter into royalty or licensing agreements; or
- require us to cease certain activities, including the sale of products.

If it is determined that we have infringed, violated or are infringing or violating a patent or other intellectual property right of any other person or if we are found liable in respect of any other related claim, then, in addition to being liable for potentially substantial damages, we may be prohibited from developing, using, distributing, selling or commercializing certain of our technologies unless we obtain a license from the holder of the patent or other intellectual property right. We cannot assure you that we will be able to obtain any such license on a timely basis or on commercially favorable terms, or that any such licenses will be available, or that workarounds will be feasible and cost-efficient. If we do not obtain such a license or find a cost-efficient workaround, our business, operating results and financial condition could be materially adversely affected and we could be required to cease related business operations in some markets and restructure our business to focus on our continuing operations in other markets.

We may be unable to keep pace with changes in technology as our business and market strategy evolves.

We will need to respond to technological advances in a cost-effective and timely manner in order to remain competitive. The need to respond to technological changes may require us to make substantial, unanticipated expenditures. There can be no assurance that we will be able to respond successfully to technological changes. If we will be unable to respond successfully to technological advance, we may lose our competitive advantage, which could adversely affect our business.

Significant disruptions of our information technology systems or breaches of our data security could adversely affect our business.

A significant invasion, interruption, destruction or breakdown of our information technology systems and/or infrastructure by persons with authorized or unauthorized access could negatively impact our business and operations. We could also experience business interruption, information theft and reputational damage from cyber-attacks, which may compromise our systems and lead to data leakage either internally or at our third-party providers. Our systems may be the target of malware and other cyber-attacks. Although we have invested in measures to reduce these risks, we cannot assure you that these measures will be successful in preventing compromise or disruption of our information technology systems or data.

We may be subject to general litigation, regulatory disputes and government inquiries.

As a growing company with expanding operations, we may in the future increasingly face the risk of claims, lawsuits, government investigations and other proceedings involving competition and antitrust, intellectual property, privacy, consumer protection, accessibility claims, securities, tax, labor and employment, commercial disputes, services and other matters. The number and significance of these disputes and inquiries have increased as the political and regulatory landscape changes, and as we have grown larger and expanded in scope and geographic reach, and our services have increased in complexity.

We cannot predict the outcome of such disputes and inquiries with certainty. Regardless of the outcome, these can have an adverse impact on us because of legal costs, diversion of management resources and other factors. Determining reserves for any litigation is a complex, fact-intensive process that is subject to judgment calls. It is possible that a resolution of one or more such proceedings could require us to make substantial payments to satisfy judgments, fines or penalties or to settle claims or proceedings, any of which could harm our business. These proceedings could also result in reputational harm, criminal sanctions, consent decrees or orders preventing us from offering certain products or services or requiring a change in our business practices in costly ways or requiring development of non-infringing or otherwise altered products or technologies. Litigation and other claims and regulatory proceedings against us could result in unexpected expenses and liabilities, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We have identified material weaknesses in our internal control over financial reporting that could, if not remediated, result in material misstatements in our financial statements. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our Ordinary Shares.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures are designed to prevent fraud. Our management will be required to assess the effectiveness of our internal controls and procedures and disclose changes in these controls on an annual basis. However, for as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404.

Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our Ordinary Shares.

As of December 31, 2021, we identified material weaknesses in our internal control over financial reporting, which continued to persist as of December 31, 2024. As defined in Regulation 12b-2 under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual financial statements will not be prevented or detected on a timely basis. Specifically, we determined that the material weaknesses are related to having an insufficient number of financial reporting personnel with an appropriate level of

Since 2022, we have been implementing corrective actions to address these weaknesses, including improving the segregation of duties and enhancing our controls to ensure the accuracy of our financial reporting. We have also taken the following actions toward remediating these material weaknesses:

- during 2022, we hired additional qualified personnel with U.S. GAAP accounting and SEC reporting experience, including our Chief Financial Officer and our chief accountant. During 2025, we will continue to seek additional finance professionals to increase the number of qualified financial reporting personnel and implement segregation of duties;
- during 2023 and 2024, we designed and implemented internal financial reporting procedures and controls to improve the completeness, accuracy and timely preparation of our financial reporting and disclosures inclusive of providing enhanced training to existing financial and accounting employees on related U.S. GAAP issues;
- on a regular basis, we are developing, communicating and implementing accounting policy procedures and controls for our financial reporting personnel for recurring transactions, reconciliations, period-end closing processes and policies relating to segregation of duties and we will complete such development and implementation during 2025;
- during 2023, we begun the development and implementation of an accounting policies, procedures and controls for our financial reporting personnel for recurring transactions, period-end closing processes and policies relating to segregation of duties; and
- since 2024, we have continued to enhance the design and operation of user access control activities and procedures to ensure that access to IT applications and data is adequately restricted to appropriate personnel.

The process of designing and maintaining effective internal control over financial reporting is a continuous effort that requires management to anticipate and react to changes in our business, economic, and regulatory environments and to expend significant resources. As we continue to evaluate our internal control over financial reporting, we may take additional actions to remediate the material weaknesses or modify the remediation actions described above.

Although we believe, based on our evaluation to date, that there has been some progress in remediating the material weaknesses, we cannot project a specific timeline for when the material weaknesses will be fully remediated. The material weaknesses will not be remediated until the necessary internal controls have been designed, implemented, tested and determined to be operating effectively. In addition, the implementation of these initiatives may not fully address any material weakness or other deficiencies that we may have in our internal control over financial reporting.

Even if we develop effective internal control over financial reporting, these controls may become inadequate because of changes in conditions or the degree of compliance with these policies or procedures may deteriorate, and material weaknesses and deficiencies may be discovered in them. We are working with our legal, independent accounting and financial advisors to identify those areas in which changes should be made to our financial and management control systems to manage our growth and our obligations as a public company. These areas include corporate governance, corporate control, disclosure controls and procedures and financial reporting.

We have made, and will continue to make, changes in these and other areas. In any event, the process of determining whether our existing internal controls are compliant with Section 404 and sufficiently effective will require the investment of substantial time and resources, including by our chief financial officer and other members of our senior management. As a result, this process may divert internal resources and take a significant amount of time and effort to complete, even more so after we are no longer an "emerging growth company". In addition, we cannot predict the outcome of this process and whether we will need to implement remedial actions in order to implement effective controls over financial reporting. The determination of whether or not our internal controls are sufficient and any remedial actions required could result in us incurring additional costs that we did not anticipate, including the hiring of outside consultants. We may also fail to complete our evaluation, testing and any required remediation needed to comply with Section 404 in a timely fashion. Irrespective of compliance with Section 404, any additional failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. As a result, we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting or results of operations and could result in an adverse opinion on internal controls from our independent auditors.

Furthermore, if we are unable to certify that our internal control over financial reporting is effective and in compliance with Section 404, we may be subject to sanctions or investigations by regulatory authorities, such as the SEC or stock exchanges, and we could lose investor confidence in the accuracy and completeness of our financial reports, which could hurt our business, the price of our Ordinary Shares and our ability to access the capital market.

New regulation as well as regulation in new target territories, including regulation relating to unmanned platforms, video and audio systems, may create obstacles to our sales and marketing efforts.

Other than the provisions of the Israeli Encouragement of Industrial Research, Development and Technological Innovation Law, 1984, as amended, and related regulations, or the Research Law, which may restrict our ability to move the production of products developed using grants received from the Israeli Innovation Authority, or the IIA (see "Risk Factors - Risks Related to Israeli Law and our Operations in Israel" for further information), We received Israeli government grants for certain of our research and development activities, the terms of which may require us to pay royalties and to satisfy specified conditions in order to manufacture products and transfer technologies outside of Israel. If we fail to satisfy these conditions, we may be required to pay penalties and refund grants previously received. In events where our products have been required to comply with any foreign regulation, these issues have been under the jurisdiction and responsibility of our local distributors or customers. However, expansion of our operation into new territories, enhancing our sales and marketing in existing foreign territories, as well as new regulations that might be enacted in the future which may apply to our technologies or market segment, may require us in the future to ensure that our products are in compliance with various regulatory constraints or technology standards imposed by local authorities. Such development may require us to make additional expenses in order to ensure compliance, as well as hinder or delay us from entering certain markets, thus adversely affecting our business, financial condition and operational results.

Risks Related to Israeli Law and our Operations in Israel

Political, economic and military instability in Israel may impede our ability to operate and harm our financial results.

Our offices and management team are located in Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect our business and operations.

Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or

financial condition of Israel, could affect adversely our operations. Ongoing and revived hostilities or other Israeli political or economic factors could harm our operations, product development and results of operations.

On October 7, 2023, an unprecedented attack was launched against Israel by terrorists from the Hamas terrorist organization that infiltrated Israel's southern border from the Gaza Strip and in other areas within the state of Israel attacking civilians and military targets while simultaneously launching extensive rocket attacks on the Israeli population. In response, the Security Cabinet of the State of Israel, or the Security Cabinet, declared war against Hamas. As of March 18, 2025, the ceasefire that had been in place since January 2025 has ended, and hostilities have resumed. The continuation of the conflict has led to heightened security concerns, potential disruptions to business operations, and economic instability. There remains significant uncertainty regarding the duration and escalation of the conflict, and further military actions, restrictions, or government-imposed measures could adversely affect our operations, supply chains, and financial condition.

Since the war broke out on October 7, 2023, our operations have not been adversely affected by this situation. As of the January 2025, Israel entered into a ceasefire agreement with Hamas, but there are no guarantees as to whether it will hold or whether further hostilities will resume. It is not possible to predict the intensity or duration of the war, nor can we predict how this war will ultimately affect Israel's economy in general and we continue to monitor the situation closely and examine the potential disruptions that could adversely affect our operations.

Following the attack by Hamas on Israel's southern border, Hezbollah, a terrorist organization in Lebanon also launched missile, rocket and shooting attacks against Israeli military sites, troops, and Israeli towns in northern Israel. In response to these attacks, the Israeli army carried out a number of targeted strikes on sites belonging to Hezbollah in southern Lebanon. As of the end of November 2024, Israel entered into a ceasefire agreement with Hezbollah, but there are no guarantees as to whether it will hold or whether further hostilities will resume.

In April and October 2024, Iran launched missile and unmanned aerial vehicle, or UAV, attacks on Israel. Most of the missiles and UAVs were intercepted by Israel's defense systems, with support from the United States and other countries, including regional allies, preventing significant damage and resulting in no casualties. Despite the successful interceptions, the attacks posed an elevated threat to Israel's security. In response to the Iranian attack in April 2024, Israel conducted targeted military strikes against Iranian military assets in Syria, aiming to degrade Iran's operational capabilities in the region and deliver a strong deterrent message. On April 19, 2024, the air force base in Esfahan, Iran, and the A-T'ala airport in the A-Sweida area of southern Syria were attacked, with these strikes attributed to Israel.

In connection with the Security Cabinet's declaration of war against Hamas and the hostilities with other organizations, several hundred thousand Israeli military reservists were called to active military duty. As of March 28, 2025, one of our current employees in Israel have been called to active military duty. We also rely on service providers located in Israel and have entered into certain agreements with Israeli counterparties. Employees of such service providers or contractual counterparties may be called for service in the current or future wars or other armed conflicts with Hamas and such persons may be absent from their positions for a period of time. As of March 28, 2025, we have not been impacted by any absences of personnel at our service providers or counterparties located in Israel. However, military service call ups that result in absences of personnel from us, our service providers or contractual counterparties in Israel may disrupt our operations and absences for an extended period of time may materially and adversely affect our business, prospects, financial condition and results of operations.

In December 2024, Ba'athist Syria, led by President Bashar al-Assad, collapsed during a major offensive by opposition forces made up of several competing rebel groups. In response, the Israeli Defense Forces took control over an United Nations-designated buffer zone over Mount Hermon that separated Israel and Syria. Simultaneously, Israel conducted targeted military strikes against military assets in Syria, aiming to eliminate any chemical weapons storage sites that could be used by rebel groups and further weaken Iran's operational capabilities in the region. While the transitional government of Syria has indicated that it is interested in reconstruction and stability rather than a continuation of conflicts with Israel, there are no guarantees that there is no future escalation of hostilities or that Syria will permit other neighboring countries to launch attacks at Israel from its territory.

It is possible that other terrorist organizations, including Palestinian military organizations in the West Bank, as well as other hostile countries, will join the hostilities. Such hostilities may include terror and missile attacks. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations. Our insurance policies do not cover losses that may occur as a result of events associated with war and terrorism.

Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

Several countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies, whether as a result of hostilities in the region or otherwise. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods and cooperation with Israeli-related entities based on Israeli government policies. Such actions, particularly if they become more widespread, may adversely impact our ability to collaborate with other third parties. Any hostilities involving Israel, any interruption or curtailment of trade or scientific cooperation between Israel and its present partners, or a significant downturn in the economic or financial condition of Israel could adversely affect our business, financial condition and operations. We may also be targeted by cyber terrorists specifically because we are an Israeli-related company.

Furthermore, the Israeli government is currently pursuing extensive changes to Israel's judicial system, including plans to significantly reduce the Israeli Supreme Court's ability to strike down legislation that it deems unreasonable, and plans to increase political influence over the selection of judges. For example, recently, the Israeli supreme court overruled a bill that removes the power of the Israeli judiciary to strike down legislation it deems unreasonable. The Israeli government also announced its plans to pass into legislation other judicial reforms that would, for example, increase political influence over the selection of judges. In response to the foregoing developments, individuals, organizations and institutions, both within and outside of Israel, have voiced concerns that the proposed changes may negatively impact the business environment in Israel including due to reluctance of foreign investors to invest or conduct business in Israel, as well as to increased currency fluctuations, downgrades in credit rating, increased interest rates, increased volatility in securities markets, and other changes in macroeconomic conditions. Such proposed changes may also adversely affect the labor market in Israel or lead to political instability or civil unrest. To the extent that any of these negative developments do occur, they may have an adverse effect on our business, our results of operations and our ability to raise additional funds.

Exchange rate fluctuations between foreign currencies and the U.S. Dollar may negatively affect our earnings.

Our reporting and functional currency is the U.S. dollar. Our revenues are currently primarily payable in U.S. dollars and we expect our future revenues to be denominated primarily in U.S. dollars. However, certain amounts of our revenues and expenses are also in NIS and Euro. As a result, we are exposed to the currency fluctuation risks relating to the recording of our expenses in U.S. dollars. We may, in the future, decide to enter into currency hedging transactions. These measures, however, may not adequately protect us from material adverse effects.

We may become subject to claims for remuneration or royalties for assigned service invention rights by our employees, which could result in litigation and adversely affect our business.

A significant portion of our intellectual property has been developed by our employees in the course of their employment for us. Under the Israeli Patent Law, 1967, or the Patent Law, inventions conceived by an employee in the course and as a result of or arising from his or her employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no such agreement between an employer and an employee, the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, will determine whether the employee is entitled to remuneration for his inventions. Recent case law clarifies that the right to receive consideration for "service inventions" can be waived by the employee and that in certain circumstances, such waiver does not necessarily have to be explicit. The Committee will examine, on a case-by-case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Committee has not yet determined one specific formula for calculating this remuneration (but rather uses the criteria specified in the Patent Law). Although we have entered into assignment-of-invention agreements with all our current and former employees pursuant to which such individuals assign to us all rights to any inventions created in the scope of their employment or engagement with us, we may still face claims demanding remuneration in consideration for assigned inventions. If such claims are found to have merit despite our assignment of invention agreements, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

We received Israeli government grants for certain of our research and development activities, the terms of which may require us to pay royalties and to satisfy specified conditions in order to manufacture products and transfer technologies outside of Israel. If we fail to satisfy these conditions, we may be required to pay penalties and refund grants previously received.

Our research and development efforts were financed in part through grants from the IIA.

With respect to the royalty-bearing grants we are committed to pay royalties at a rate of 3% to 5% on sales proceeds from our products that were developed under IIA programs up to the total amount of grants received, linked to the U.S. dollar and bearing interest at the annual Secured Overnight Financing Rate, or SOFR, applicable to U.S. dollar deposits. With respect to IIA grants approved by the IIA prior to January 1, 2024, but which are outstanding thereafter, the annual interest rate shall be the higher of (i) the twelve months SOFR plus 1%, or (ii) a fixed annual interest rate of 4%.

As of March 28, 2025, we paid approximately \$7,301 in connection with a single sale during 2012. Since 2013, we have not utilized the intellectual property that was developed using the governmental grant in any of our products. The total sum of royalties, including accumulated interest, we are required to repay the IIA, as of March 28, 2025, is approximately \$611,000, net, after deducting the sums we paid as royalties to the IIA.

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Regardless of any royalty payment, we are further required to comply with the requirements of the Research Law with respect to those past grants. When a company develops know-how, technology or products using IIA grants, the terms of these grants and the Research Law restrict the transfer of such know-how, and the transfer of manufacturing or manufacturing rights of such products, technologies or know-how outside of Israel, without the prior approval of the IIA. We may not receive those approvals. Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer technology or development. This may restrict our ability to move the production of our products outside of Israel, or to sell intellectual property and other know-how.

It may be difficult to enforce a judgment of a U.S. court against us and our executive officers and directors and the Israeli experts named in this Annual Report in Israel or the United States, to assert U.S. securities laws claims in Israel or to serve process on our executive officers and directors and these experts.

We were incorporated in Israel. Substantially all of our executive officers and directors reside outside of the United States, and all of our assets and most of the assets of these persons are located outside of the United States. Therefore, a judgment obtained against us, or any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. It also may be difficult for you to effect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel. Additionally, it may be difficult for an investor, or any other person or entity, to initiate an action with respect to U.S. securities laws in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against us in Israel, you may not be able to collect any damages awarded by either a U.S. or foreign court (see "Enforceability of Civil Liabilities" for additional information on your ability to enforce a civil claim against us and our executive officers or directors named in this Annual Report).

Your rights and responsibilities as a shareholder will be governed in key respects by Israeli laws, which differ in some material respects from the rights and responsibilities of shareholders of U.S. companies.

The rights and responsibilities of the holders of our Ordinary Shares are governed by our amended and restated articles of association, or our Articles, and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in U.S. companies. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in such company, including, among other things, in voting at a general meeting of shareholders on matters such as amendments to a company's articles of association, increases in a company's authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval, as well as a general duty to refrain from discriminating against other shareholders. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a vote at a meeting of the shareholders or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist us in understanding the nature of these duties or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. companies.

Risks Related to Our Status as a Public Company and Ownership of our Ordinary Shares and Warrants

As of December 31, 2024, our principal shareholders, officers and directors beneficially owned approximately 42.6% of our outstanding Ordinary Shares. They will therefore be able to exert significant control over matters submitted to our shareholders for approval.

As of December 31, 2024, our principal shareholders, officers and directors, in the aggregate, beneficially owned approximately 42.6% of our outstanding Ordinary Shares. This significant concentration of share ownership may adversely affect the trading price for our Ordinary Shares because investors often perceive disadvantages in owning shares in companies with controlling shareholders. As a result, these shareholders, if they acted together, could significantly influence matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other business combination transactions. The interests of these shareholders may not always coincide with our interests or the interests of other shareholders.

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We are an emerging growth company and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our securities less attractive to investors.

We are an emerging growth company and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including:

- not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;
- permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies;
- reduced disclosure obligations regarding executive compensation in our periodic reports and annual report on Form 20-F; and
- exemptions from the requirements of holding non-binding advisory votes on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We may take advantage some or all of these and other exemptions until we are no longer an "emerging growth company". We could be an emerging growth company up to the end of the fiscal year in which the fifth anniversary of the completion of our initial public offering, although we expect to not be an emerging growth company sooner. Our status as an emerging growth company will end as soon as any of the following take place:

- the last day of the fiscal year in which we have more than \$1.235 billion in annual revenue;
- the date we qualify as a "large accelerated filer," with at least \$700 million of equity securities held by non-affiliates;
- we have issued more than \$1 billion in non-convertible debt in the past three years; or
- the last day of the fiscal year ending after the fifth anniversary after we become a public company.

We cannot predict if investors will find our securities less attractive if we choose to rely on any of the exemptions afforded emerging growth companies. If some investors find our securities less attractive because we rely on any of these exemptions, there may be a less active trading market for our securities and the market price of our securities may be more volatile.

In addition, under the JOBS Act, "emerging growth companies" can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption and, as a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies. Section 107 of the JOBS Act provides that we can elect to opt out of the extended transition period at any time, which election is irrevocable.

Even after we no longer qualify as an emerging growth company, we may qualify as a "smaller reporting company", which would allow us to take advantage of many of the same exemptions from disclosure requirements (excluding the exemption from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act) and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. However, as a foreign private issuer we are not eligible to use the requirements for smaller reporting companies unless we use the forms and rules designated for domestic issuers and provide financial statements prepared in accordance with U.S. GAAP. We cannot predict if investors will find our securities less attractive if we may rely on either of these exemptions. If some investors find our securities less attractive as a result, there may be a less active trading market for our securities and our share price may be more volatile.

Our failure to maintain compliance with Nasdaq's continued listing requirements could result in the delisting of our Ordinary Shares and Warrants.

Our Ordinary Shares and Warrants are currently listed on Nasdaq. In order to maintain this listing, we must satisfy minimum financial and other requirements. Nasdaq Listing Rule 5550(a)(2) requires the minimum bid price of our Ordinary Shares on Nasdaq to remain above \$1.00. If the bid price of our Ordinary Shares closes below \$1.00 per share for thirty consecutive trading days, we would be in violation of Nasdaq Listing Rule 5550(a)(2). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we would have 180 calendar days to regain compliance with the minimum bid requirement to achieve compliance with the minimum bid price requirement.

We have previously received written notifications from the Listing Qualifications Department of Nasdaq that we were not in compliance with the minimum bid price requirement for continued listing set forth in Nasdaq Listing Rule 5550(a)(2), or the minimum bid price. Although we have since regained compliance with the minimum bid price requirement and to maintain compliance, and thus maintain our listing, there can be no assurance that we will continue to meet all applicable Nasdaq requirements in the future.

If our Ordinary Shares are removed from listing with the Nasdaq, it may be subject to the so-called "penny stock" rules. The SEC has adopted regulations that define a "penny stock" to be any equity security that has a market price per share of less than \$5.00, subject to certain exceptions, such as any securities listed on a national securities exchange, which is the exception on which we currently rely. For any transaction involving a "penny stock," unless exempt, the rules impose additional sales practice requirements on broker-dealers, subject to certain exceptions. If our Ordinary Shares were delisted and determined to be a "penny stock," a broker-dealer may find it more difficult to trade our Ordinary Shares and an investor may find it more difficult to acquire or dispose of our Ordinary Shares on the secondary market.

If our Ordinary Shares is delisted and there is no longer an active trading market for our shares, it may, among other things:

- cause stockholders difficulty in selling our shares without depressing the market price for the shares or selling our shares at all;
- substantially impair our ability to raise additional funds;
- result in a loss of institutional investor interest and fewer financing opportunities for us; and/or
- result in costly litigation, significant liabilities and diversion of our management's time and attention and could have a material adverse effect on our financial condition, business and results of operations.

A delisting would also reduce the value of our equity compensation plans, which could negatively impact our ability to retain employees.

We incur significant increased costs as a result of operating as a public company. Our management is required to devote substantial time to new compliance initiatives as well as compliance with ongoing U.S. requirements.

As a public company in the United States, we incur additional significant accounting, legal and other expenses that we did not incur before our initial public offering, or IPO. We also incur costs associated with corporate governance requirements of the SEC, and will incur costs in connection with the requirements under Section 404 and other

provisions of the Sarbanes-Oxley Act. These rules and regulations have increased our legal and financial compliance costs, introduce new costs such as investor relations, stock exchange listing fees and shareholder reporting, and to make some activities more time consuming and costly. The maintenance and testing of such processes and systems may require us to hire outside consultants and incur other significant costs. Any future changes in the laws and regulations affecting public companies in the United States, including Section 404 and other provisions of the Sarbanes-Oxley Act, and the rules and regulations adopted by the SEC, for so long as they apply to us, will result in increased costs to us as we respond to such changes. These laws, rules and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees, or as executive officers.

The estimates of market opportunity, market size and forecasts of market growth included in our publicly-filed documents may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rate, if at all.

Market opportunity, size estimates and growth forecasts included in this Annual Report are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Net revenue and operating results are difficult to forecast because they generally depend on the volume, timing and type of orders we receive, all of which are uncertain. We base our expense levels and investment plans on our estimates of total net revenue and gross margins using human judgment combined with machine learning, natural language processing and data analytics. We cannot be sure the same growth rates, trends and other key performance metrics are meaningful predictors of future growth. If our assumptions and calculations prove to be wrong, we may spend more than we anticipate acquiring and retaining customers or may generate less net revenue per active customer than anticipated, any of which could have a negative impact on our business and results of operations.

In addition, we are evaluating our total addressable market with respect to new product offerings and new markets. These estimates of total addressable market and growth forecasts are subject to significant uncertainty, are based on assumptions and estimates that may not prove to be accurate and are based on data published by third parties that we have not independently verified. Even if the market in which we compete meets the size estimates and growth forecasted in this Annual Report, our business could fail to grow at similar rates, if at all.

Our business is also affected by general economic and business conditions in international markets. A significant portion of our expenses is fixed, and as a result, we may be unable to adjust our spending in a timely manner to compensate for any unexpected shortfall in net revenue. Any failure to accurately predict net revenue or gross margins could cause our operating results to be lower than expected, which could materially adversely affect our financial condition and share price.

The market price of our Ordinary Shares and Warrants may be highly volatile and such volatility could cause you to lose some or all of your investment and also subject us to litigation.

The market price of our Ordinary Shares and Warrants may fluctuate significantly in response to numerous factors, some of which are beyond our control, such as:

- the announcement of new products or product enhancements by us or our competitors;
- developments concerning intellectual property rights;
- changes in legal, regulatory, and enforcement frameworks impacting our technology or the application of our technology;
- variations in our and our competitors' results of operations;
- fluctuations in earnings estimates or recommendations by securities analysts, if our securities are covered by analysts;
- the results of product liability or intellectual property lawsuits;
- future issuances of securities;

- the addition or departure of key personnel;
- announcements by us or our competitors of acquisitions, investments or strategic alliances;
- general market conditions and other factors, including factors unrelated to our operating performance;
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events; and
- general economic, political and market conditions in the United States or elsewhere.

Furthermore, in recent years, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies, and technology companies in particular. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our Ordinary Shares or Warrants.

In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could also harm our business.

Sales of a significant number of our Ordinary Shares in the public markets or significant short sales of our Ordinary Shares, or the perception that such sales could occur, could depress the market price of our Ordinary Shares and impair our ability to raise capital.

Substantial sales of our Ordinary Shares on Nasdaq, may cause the market price of our Ordinary Shares to decline. Sales by us or our security holders of substantial amounts of our Ordinary Shares, or the perception that these sales may occur in the future, could cause a reduction in the market price of our Ordinary Shares.

The issuance of any additional Ordinary Shares or any securities that are exercisable for or convertible into Ordinary Shares, may have an adverse effect on the market price of our Ordinary Shares and will have a dilutive effect on our existing shareholders and holders of Ordinary Shares.

If there are significant short sales of our Ordinary Shares, the price decline that could result from this activity may cause the share price to decline more so, which, in turn, may cause long holders of the Ordinary Shares to sell their shares, thereby contributing to sales of Ordinary Shares in the market. Such sales also may impair our ability to raise capital through the sale of additional equity securities in the future at a time and price that our management deems acceptable, if at all.

Our Articles provide that, unless we consent to an alternative forum, the federal district courts of the United States shall be the exclusive forum for resolution of any

complaint asserting a cause of action arising under the Securities Act, which could limit our shareholders' ability to choose the judicial forum for disputes with us, our directors, shareholders, or other employees. In addition, the agreements governing the Warrants provide that disputes shall be brought in the state and federal courts sitting in the City of New York, Borough of Manhattan, and that a claim under the U.S. federal securities laws may be made in any federal district court.

Section 22 of the Securities Act of 1933, as amended, or the Securities Act, as modified by the JOBS Act, creates concurrent jurisdiction for U.S. federal and state courts over all such Securities Act actions. Accordingly, both U.S. state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our Articles provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. This exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act, and our shareholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provision. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to the foregoing provision of our Articles.

Similarly, the agreement governing the Warrants provide that, and by owning Warrants investors agree that, all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by the Warrant (whether brought against a party hereto or their respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, irrevocably submit to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any such dispute and irrevocably waive, and agree not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. The warrant agent agreement has similar provisions with respect to the Company and the warrant agent. Each of the agreement governing the Warrants and the warrant agent agreement provide that the foregoing provisions do not limit or restrict the federal district court in which a party may bring a claim under the U.S. federal securities laws.

However, the enforceability of similar forum provisions (including exclusive federal forum provisions for actions, suits, or proceedings asserting a cause of action arising under the Securities Act) in other companies' organizational documents and similar agreements has been challenged in legal proceedings, and there is uncertainty as to whether courts would enforce the exclusive forum provision in our Articles or the agreements governing the Warrants. If a court were to find the exclusive forum provision contained in our Articles or the agreements governing the Warrants to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition, and results of operations.

Although we believe the exclusive forum provision benefits us by providing increased consistency in the application of U.S. federal securities laws, the Israeli Companies Law 5759-1999, or together with applicable regulations promulgated thereunder the Companies Law, or New York law, as applicable, in the types of lawsuits to which they apply, such exclusive forum provision may limit a shareholder's ability to bring a claim in the judicial forum of their choosing for disputes with us or any of our directors, shareholders, officers, or other employees, which may discourage lawsuits with respect to such claims against us and our current and former directors, shareholders, officers, or other employees.

If securities or industry analysts either do not publish research about us or publish inaccurate or unfavorable research about us, our business or our market, or if they change their recommendations regarding our Ordinary Shares or Warrants adversely, the trading price or trading volume of our Ordinary Shares could decline.

The trading market for our Ordinary Shares and Warrants will be influenced in part by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If one or more of the analysts initiate research with an unfavorable rating or downgrade our Ordinary Shares, provide a more favorable recommendation about our competitors or publish inaccurate or unfavorable research about our business, the market prices of our Ordinary Shares would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price or trading volume of our Ordinary Shares to decline.

We do not intend to pay dividends for the foreseeable future.

We currently intend to retain any future earnings to repay shareholder loans and finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, shareholders must rely on sales of their Ordinary Shares after price appreciation as the only way to realize any future gains on their investment.

Furthermore, to the extent that we pay any dividends in the future, the ability to offer fully franked dividends, *i.e.* dividends that come from already taxed earnings, is contingent on making taxable profits in excess of accumulated losses. Taxable profits may be volatile, making the payment of dividends unpredictable.

The value and availability of franking credits to a shareholder will differ depending on the shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each shareholder.

Our investors' ownership in the Company may be diluted in the future.

In the future, we may issue additional authorized but previously unissued equity securities, resulting in the dilution of ownership interests of our present shareholders. Furthermore, we may issue equity awards to management, employees and other eligible persons in the future under our 2021 Share Option Plan, as amended, or the Option Plan. Additional Ordinary Shares issued by us in the future will dilute an investor's investment in the Company. In addition, we may seek shareholder approval to increase the amount of the Company's authorized shares, which would create the potential for further dilution of current investors.

The market prices of our Ordinary Shares could be affected by our involvement in a possible, future litigation.

In the ordinary course of business, we may be involved in litigation disputes from time to time. Litigation disputes brought by third parties, including but not limited to intellectual property, distribution partners, customers, suppliers, business partners and employees may adversely impact the financial performance and industry standing of the business, in the case where the impact of legal proceedings is greater than or outside the scope of our insurance. We are not currently involved in any litigation.

Possible force majeure events could impact our operations and the market price of our Ordinary Shares.

Events may occur within or outside the United States and Israel that could impact on the American and/or Israeli economy, our operations and the market price of our Ordinary Shares. These events include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labor strikes, civil wars, natural disasters, outbreaks of disease or other natural or manmade events or occurrences that can have an adverse effect on the demand for our products and its ability to conduct business. While we seek to maintain insurance in accordance with industry practice to insure against the risks it considers appropriate after consideration of our needs and circumstances, no assurance can be given as to our ability to obtain such insurance coverage in the future at reasonable rates or that any coverage arranged will be adequate and available to cover any and all potential claims. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on our business, financial condition and results

of operations.

As a "foreign private issuer" we are permitted, and intend, to follow certain home country corporate governance practices instead of otherwise applicable SEC and Nasdaq requirements, which may result in less protection than is accorded to investors under rules applicable to domestic U.S. issuers.

Our status as a foreign private issuer also exempts us from compliance with certain SEC laws and regulations and certain regulations of Nasdaq, including the proxy rules, the short-swing profits recapture rules, and certain governance requirements such as independent director oversight of the nomination of directors and executive compensation. In addition, we will not be required under the Exchange Act to file current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act and we will generally be exempt from filing quarterly reports with the SEC. Also, although the Companies Law requires us to disclose the annual compensation of our five most highly compensated senior officers on an individual basis (rather than on an aggregate basis), this disclosure will not be as extensive as that required of a U.S. domestic issuer. For example, the disclosure required under Israeli law would be limited to compensation paid in the immediately preceding year without any requirement to disclose option exercises and vested stock options, pension benefits or potential payments upon termination or a change of control. Furthermore, as a foreign private issuer, we are also not subject to the requirements of Regulation FD (Fair Disclosure) promulgated under the Exchange Act.

These exemptions and leniencies will reduce the frequency and scope of information and protections to which you are entitled as an investor.

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The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2025. In the future, we would lose our foreign private issuer status if a majority of our shareholders, directors or management are U.S. citizens or residents and we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic registrant may be significantly higher.

We may become a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes in the current taxable year or may become one in any subsequent taxable year. There generally would be negative tax consequences for U.S. taxpayers that are holders of the Ordinary Shares if we are or were to become a PFIC.

Based on the projected composition of our income and valuation of our assets, we do not expect to be a PFIC for 2024, and we do not expect to become a PFIC in the future, although there can be no assurance in this regard. The determination of whether we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. We will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (1) at least 75% of our gross income is "passive income" or (2) on average at least 50% of our assets by value produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Passive income also includes amounts derived by reason of the temporary investment of funds, including those raised in a public offering. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account. The tests for determining PFIC status are applied annually, and it is difficult to make accurate projections of future income and assets which are relevant to this determination. In addition, our PFIC status may depend in part on the market value of the Ordinary Shares. Accordingly, there can be no assurance that we currently are not or will not become a PFIC in the future. If we are a PFIC in any taxable year during which a U.S. taxpayer holds the Ordinary Shares, such U.S. taxpayer would be subject to certain adverse U.S. federal income tax rules. In particular, if the U.S. taxpayer did not make an election to treat us as a "qualified electing fund", or QEF, or make a "mark-to-market" election, then "excess distributions" to the U.S. taxpayer, and any gain realized on the sale or other disposition of the Ordinary Shares by the U.S. taxpayer: (1) would be allocated ratably over the U.S. taxpayer's holding period for the Ordinary Shares; (2) the amount allocated to the current taxable year and any period prior to the first day of the first taxable year in which we were a PFIC would be taxed as ordinary income; and (3) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. In addition, if the U.S. Internal Revenue Service, or the IRS, determines that we are a PFIC for a year with respect to which we have determined that we were not a PFIC, it may be too late for a U.S. taxpayer to make a timely QEF or mark-to-market election. U.S. taxpayers that have held the Ordinary Shares during a period when we were a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC in subsequent years, subject to exceptions for U.S. taxpayer who made a timely QEF or mark-to-market election. A U.S. taxpayer can make a QEF election by completing the relevant portions of and filing IRS Form 8621 in accordance with the instructions thereto. We do not intend to notify U.S. taxpayers that hold the Ordinary Shares if we believe we will be treated as a PFIC for any taxable year in order to enable U.S. taxpayers to consider whether to make a QEF election. In addition, we do not intend to furnish such U.S. taxpayers annually with information needed in order to complete IRS Form 8621 and to make and maintain a valid QEF election for any year in which we or any of our subsidiaries are a PFIC. U.S. taxpayers that hold the Ordinary Shares are strongly urged to consult their tax advisors about the PFIC rules, including tax return filing requirements and the eligibility, manner, and consequences to them of making a QEF or mark-to-market election with respect to the Ordinary Shares in the event that we are a PFIC.

We may be subject to securities litigation, which is expensive and could divert management attention.

In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could seriously hurt our business. Any adverse determination in litigation could also subject us to significant liabilities.

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General Risk Factors

If we are not able to attract and retain highly skilled managerial, technical and marketing personnel, we may not be able to implement our business model successfully.

Our success depends in part on our continued ability to attract, retain and motivate highly qualified management. We are highly dependent upon our senior management as well as other employees and consultants. Our management team must be able to act decisively to apply and adapt our business model in the rapidly changing markets in which we will compete. In addition, we will rely upon technical employees or third-party contractors to effectively establish, manage and grow our business. Consequently, we believe that our future viability will depend largely on our ability to attract and retain highly skilled managerial, sales and technical personnel. In order to do so, we may need to pay higher compensation or fees to our employees or consultants than currently expected and such higher compensation payments may have a negative effect on our operating results. Competition for experienced, high-quality personnel in the digital video and data transfer technologies field is intense. We may not be able to hire or retain the necessary personnel to implement our business strategy. Our failure to hire and retain quality personnel on acceptable terms could impair our ability to develop new products and services and manage our business effectively.

If we engage in future acquisitions or strategic partnerships, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

We may evaluate various acquisition opportunities and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;

- the assumption of additional indebtedness or contingent liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products or product candidates and marketing approvals; and
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

We are subject to certain U.S. and foreign anticorruption, anti-money laundering, export control, sanctions and other trade laws and regulations. We can face serious consequences for violations.

Among other matters, U.S. and foreign anticorruption, anti-money laundering, export control, sanctions and other trade laws and regulations, which are collectively referred to as Trade Laws, prohibit companies and their employees, agents, legal counsel, accountants, consultants, contractors and other partners from authorizing, promising, offering, providing, soliciting or receiving, directly or indirectly, corrupt or improper payments or anything else of value to or from recipients in the public or private sector. Violations of Trade Laws can result in substantial criminal fines and civil penalties, imprisonment, the loss of trade privileges, debaument, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences. We have direct or indirect interactions with officials and employees of government agencies or government-affiliated hospitals, universities and other organizations. We also expect our non-U.S. activities to increase over time. We can be held liable for the corrupt or other illegal activities of our personnel, agents or partners, even if we do not explicitly authorize or have prior knowledge of such activities.

Our business and operations might be adversely affected by security breaches, including any cybersecurity incidents.

We depend on the efficient and uninterrupted operation of our computer and communications systems, and those of our consultants, contractors and vendors, which we use for, among other things, sensitive company data, including our intellectual property, financial data and other proprietary business information.

While certain of our operations have business continuity and disaster recovery plans and other security measures intended to prevent and minimize the impact of IT-related interruptions, our IT infrastructure and the IT infrastructure of our consultants, contractors and vendors are vulnerable to damage from cyberattacks, computer viruses, unauthorized access, electrical failures and natural disasters or other catastrophic events. We could experience failures in our information systems and computer servers, which could result in an interruption of our normal business operations and require substantial expenditure of financial and administrative resources to remedy. System failures, accidents or security breaches can cause interruptions in our operations and can result in a material disruption of our targeted phage therapies, product candidates and other business operations. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur regulatory investigations and redresses, penalties and liabilities and the development of our product candidates could be delayed or otherwise adversely affected.

Even though we believe we carry commercially reasonable business interruption and liability insurance, we might suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies or for which we do not have coverage. For example, we are not insured against terrorist attacks. Any natural disaster or catastrophic event could have a significant negative impact on our operations and financial results. Moreover, any such event could delay the development of our product candidates. See Item 16K. "Cybersecurity" for more information.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated in 2008 in Israel under the name "Maris Technologies Marketing Ltd." On November 4, 2020, we changed our name to "Maris-Tech Ltd." We develop, design and manufacture high-end digital video and audio products and solutions, including AI functionality, for the professional as well as the civilian, defense and HLS markets, which can be sold off the shelf or fully customized to meet customers' requirements. In October 2024, we established Maris U.S. to serve as the strategic hub for our operations across the United States.

We operate in Israel and the United States, and sell to customers in other countries, including the United States, the United Kingdom, Australia and Switzerland.

Our principal executive offices are located at 2 Yitzhak Modai Street, Rehovot, Israel 7608804. Our telephone number in Israel is 972.72.2424022. Our website address is www.maris-tech.com. The information contained on our website or available through our website is not incorporated by reference into and should not be considered a part of this Annual Report, and the reference to our website in this Annual Report is an inactive textual reference only. Puglisi & Associates is our agent in the United States and its address is 850 Library Ave., Suite 204, Newark, DE 19711 Tel: 302.738.6680.

We are an "emerging growth company," as defined in Section 2(a) of the Securities Act. As such, we are eligible to, and intend to, take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not "emerging growth companies" such as not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. We could remain an "emerging growth company" until the end of our fiscal year ending on the fifth year following the completion of our IPO, or until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceeds \$1.235 billion, (b) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our Ordinary Shares that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (c) the date on which we have issued more than \$1 billion in nonconvertible debt during the preceding three-year period.

We are a "foreign private issuer" as defined by the rules under the Securities Act and the Exchange Act. Our status as a foreign private issuer also exempts us from compliance with certain laws and regulations of the SEC and certain regulations of Nasdaq, including the proxy rules, the short-swing profits recapture rules, and certain governance requirements such as independent director oversight of the nomination of directors and executive compensation. In addition, we are not required to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies registered under the Exchange Act.

For years ended December 31, 2024 and 2023, our capital expenditures were \$190,994 and \$90,508, respectively. Our current capital expenditures are primarily for equipment, computers, software, research and development equipment and leasehold improvements substantially all in Israel, and we expect to finance these expenditures primarily from cash on hand.

On February 4, 2022, we closed our IPO and issued and sold (including pursuant to the partial exercise of the over-allotment option) a total of 3,755,724 Ordinary Shares, Pre-Funded Warrants to purchase up to 488,324 Ordinary Shares and Warrants to purchase up to 4,244,048 Ordinary Shares. The Warrants have an exercise price of \$5.25 per Ordinary Share and may be exercised until February 4, 2027, and the Pre-Funded Warrants have an exercise price of \$0.001 per Ordinary Share and may be exercised at any time until exercised in full. In connection with the IPO (including over-allotment and Pre-Funded Warrant exercises), we issued and sold 4,244,048 Ordinary Shares and Warrants to purchase up to 4,244,048 Ordinary Shares and received aggregate gross proceeds of approximately \$17.8 million, before deducting underwriting discounts and commissions and before offering expenses.

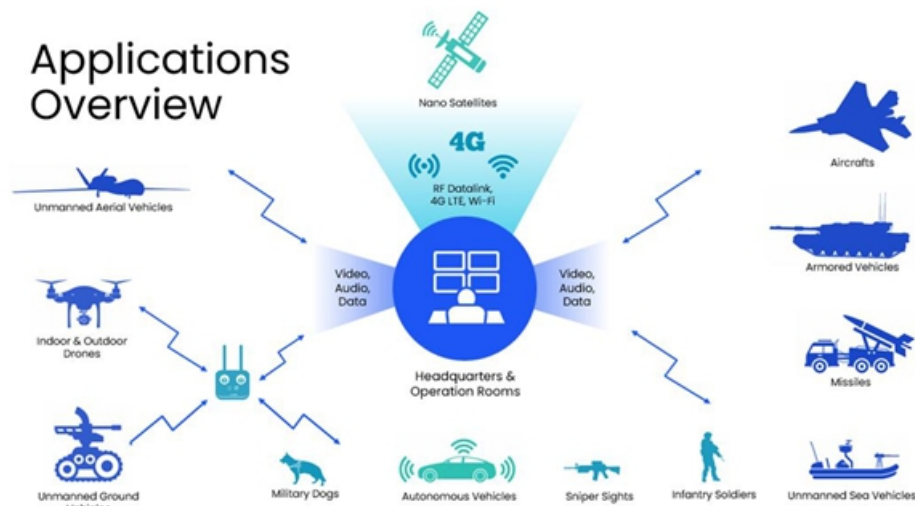
B. Business Overview

We are a B2B provider of video and AI-based edge computing technology, pioneering intelligent video transmission solutions that conquer complex video processing challenges. Our miniature, lightweight, and low-power products deliver high-performance capabilities including raw data processing, seamless transfer, advanced image processing, and AI-driven analytics. Founded by Israeli technology-sector veterans, Maris Tech serves leading manufacturers worldwide in defense, aerospace, intelligence gathering, homeland security (HLS), unmanned vehicles & drones, smart city, and communication industries worldwide as well as governmental HLS and defense-end customers.

For the professional markets, we provide a range of customizable, low-power, miniature solutions that feature enriched video and audio hardware with integrated embedded firmware. We offer original equipment manufacturer, or OEM, as well as final products for applications requiring complex and high-performance video and audio processing, streaming, recording, debriefing and analytics functionalities. Our products are mainly designed for unmanned aerial/ground/maritime platforms, miniature drones, observation systems and any other remote video-controlled platforms used for intelligence, surveillance, analysis and investigation. Our products, which are further described below, are already deployed worldwide in unmanned platforms, observation systems, situational awareness, law-enforcement, public-safety, defense, intelligence and other appliances. Our customers include leading electro optical payload, radio frequency, or RF, datalink and unmanned platforms manufacturers as well as other large defense, HLS and communication companies.

For the civilian/home security market, we provide both off the shelf and customizable miniature, low power, cloud-based video and audio streaming and recording solutions used for home security, autonomous vehicle and various other applications.

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Our Strengths

We believe that our main strengths include:

- **Strong research and development capabilities:** our research and development team has over 30 years of experience in the field and possesses extensive knowledge and abilities in developing unique video and audio systems, as well as in adapting these systems to our customer's requirements. Our team is highly skilled and knowledgeable in current technologies and is able to easily adapt and incorporate new technological developments in the market as they occur, to allow our products to evolve and improve in line with the market's needs and demands.
- **Commitment to investment and development of our intellectual property portfolio:** our intellectual property portfolio currently includes an approved patent, multiple patentable technology solutions, in various stages of preparation for patent registration, as well as extensive proprietary know-how, embedded in our product design, resulting from the unique skill set and field experience of our team. We believe these patentable technology solutions and proprietary know-how are unique, the result of years of research and development, and provide a significant entry barrier to our competitors.
- **Strong management team with relevant experience:** our management team has decades of experience in the field, and a strong technological background, vast record in engaging with large military, HLS and private security entities as well as strong managerial records which also include experience in managing publicly traded companies.
- **Market validation:** our products are operational and used in the field, with proven track records, by some of the largest defense, HLS and private security entities in Israel, as well as the Israeli Defense Forces itself. Our products are often chosen for their unique technological features as we work closely with our customers to adapt and customize our products to our customers' various needs. Our products also served as the video recording and streaming solution on the 2019 Space-IL "Beresheet" satellite, the first Israeli and the first privately initiated mission to land on the moon, and were selected to serve the "Beresheet-2," which is expected to be launched to the moon within the next two years.

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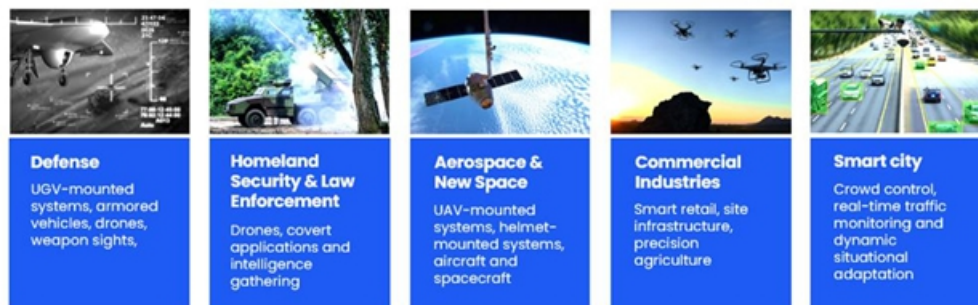
- **Unique technology and design:** our products are proven to be scalable in size and weight without compromising their low latency, high range and durability. Our products are some of the smallest systems available in the market today and are exceptionally light, all without such scalability in size and weight compromising their

high quality, low latency, range and durability, which are essential for small drones and covert applications. Additionally, our products' modular design allows the configurations of custom-made products created by combining and interchanging different building blocks within the same form factor.

Industry Overview and Market Opportunity

The broader video streaming and analysis market has experienced significant changes and growth over the past decade due to the appearance and broad availability of a variety of wireless networks and the use of unmanned platforms for defense, HLS and commercial applications, including aerial, ground, maritime and even spatial platforms, as well as small drones and robotic platforms. The use of unmanned platforms, especially, has expanded significantly over the past several years, and has continued to advance and evolve at a rapid pace.

Intelligent video analytics, streaming & recording (IVASR) combined with Edge AI delivers quicker insights on-site, enabling real-time decision-making



The global video surveillance market

The global video surveillance market was valued at \$59.46 billion in 2024, and is projected to grow from \$65.17 billion in 2025 to \$135.68 billion by 2033, growing at a compound annual growth rate, or CAGR, of 9.60% from 2025 to 2033. With the increasing adoption of advanced surveillance by the government sector, manufacturers have realized the need for optimum IP surveillance systems. There are many advantages that an IP camera CCTV system offers over an analog format. IP security cameras send their signals over a network, allowing greater information transfer than an analog signal sent to a digital video recorder, or DVR. Network cameras can be wireless and still work through a network and are used in big departmental stores, food chains, malls, factories, workshops, and many other public places to keep a check of activities.

The rise in the need for safety in high-risk areas, the surge in transition from analog surveillance to IP cameras, and the integration of the Internet of Things boost the growth of the global video surveillance market. However, factors such as high investment costs and lack of professional expertise in handling IP cameras hamper the video surveillance market forecast. Furthermore, the increase in the trend toward the development of smart cities is expected to offer lucrative opportunities for market expansion.

The Global UAV Payload and Subsystems Market

UAV Payload and Subsystems Market Size was valued at \$6.009 billion in 2024. The UAV payload and subsystems market is projected to grow from \$6.009 billion in 2024 to \$9.977 billion by 2032, exhibiting a CAGR of 6.54% during the forecast period (from 2024 to 2032). The rising demand from businesses looking to incorporate the advantages of UAVs into industrial processes and the increase in the use of unmanned aerial vehicles, or drones, in the civilian market are the key market drivers enhancing the market growth.

Unmanned platforms, equipped with video, communication and artificial intelligence analysis payloads, or Payload, are constantly being used for remote control, scene live monitoring, inspection, situational awareness and intelligence gathering in various ways. The growth of the market has created the need for creative technological solutions in all areas relating to these platforms, with high-fidelity video and audio systems, onboard sensors and data processing units making the greatest gains. As new commercial functions for unmanned platforms continue to emerge, payloads will also need to continue improving incrementally and become more stable, durable, and reliable, while their associated management software will continue to advance.

This activity growth, along with the need for increased operational efficiency and reduced human intervention, are at the forefront of the constant drive for new advancements and improvements, especially in the following areas:

- **High Fidelity, Streaming and Latency.** Due to the growing need and demand for greater fidelity in video and audio, payloads are now required to stream live video anywhere in the world at extremely high resolutions and high video quality. As unmanned platforms are more commonly used in defense and other real-time, high-risk scenarios, the industry is in constant search for technological solutions that will allow a user to operate the unmanned platform, stream and analyze video online from their location, in real time, with minimum to no delay or latency, without compromising video and audio integrity and resolution.
- **Size.** The ongoing need to create miniature unmanned platforms that can easily avoid detection and maneuver indoors and in difficult-to-access, indicates that payloads will continue to decrease in size. As the trend of miniaturization continues, the market will constantly seek technical solutions which will allow the payloads to become smaller and smaller, all the while maintaining or increasing their operational capabilities. For example, our Mars V300 is similar to the size of a quarter.



- **Weight.** Similarly, as payloads are more commonly mounted on increasingly smaller unmanned platforms, humans, and animals in the field, payloads will need to continue decreasing in weight. As this trend continues, the market will constantly be searching for technical solutions that will allow the payloads to become lighter without decreasing or jeopardizing their operational capabilities or functionalities. Weight may also have a significant influence on flight mission duration, which is also critical factor in mission planning.
- **Design.** As new markets and industries begin to adopt unmanned platform technology for various uses, innovative payload design is now providing new payload structures to enhance operations. Generally, the development of multi-modal unmanned platforms that can operate in mixed environments (day, night, air, land, water surface, underwater) is taking hold and there is a steady increase in demand for payloads that can similarly operate in several environments simultaneously. Additionally, unmanned platforms, often involve the operation of multiple types of platforms simultaneously for the completion of the same task, all sharing data from the payloads between them. This requires design solutions aimed at efficient and continuous communication across various platforms.

- **Range and Endurance.** The need to operate over increasingly longer distance, beyond visual line of sight, and for long range and long-lasting missions, will continue to drive an increase in operational range while maintaining and/or increasing endurance capabilities. New payload designs and advancements in power supplies will be required to allow payloads to operate effectively for longer periods. The industry is heavily invested in improving features relating to range and endurance.
- **Video encoding.** Video encoding has faced evolving standards (*i.e.*, MPEG-2, MPEG-4, H.264, H.265) that require an increasing amount of computing power to realize increasing quality and efficiency. At the same time, the raw size of video has increased through standard definition, high definition, and now 4K and 8K resolutions. Both evolutions have created an exponential need for computing power to achieve real time (low latency) performance.
- **Sensors.** The demand for greater capability in onboard sensors and processors for unmanned platforms is also increasing the need for smart design of the payloads. Incorporating numerous sensors in the payload and allowing multi-sensor analytics to be delivered to users in real time enables for real time decision making, all without compromising the platform's performance, size, weight and cost.
- **Autonomy and Processing.** There is a growing need to create both platforms and payloads which can operate autonomously (either semi autonomously or fully autonomously) while maintaining their operational capabilities (edge computing). As the need for autonomous platforms increases, so does the reliance on payload features and capabilities as the autonomy of the platform itself often requires the use of payload systems (such as sensors and processing) in order to enable functions, such as adaptive maneuverability, object sense-and-avoidance, object tracking, and waypoint navigation.

Our Core Products

We offer ready-to-use, off-the-shelf products that can be purchased through our sales representatives. These products are also fully customizable according to our customers' unique specifications and needs and are typically sold through our commercial partners. Our products are built on proprietary, cutting-edge technology and designs, and are distinguished by their extreme miniaturization, low latency and advanced analytical capabilities. These features allow us to provide ready-made solutions or develop customproducts tailored to specific tasks or requirements the across civilian, defense and HLS markets.

Our product portfolio includes hardware platforms integrated with embedded software which enable video, audio and data capture, processing, encoding, recording, streaming, display, playback and analytics.

Our main product families are described below:

Jupiter Family

A miniature intelligent video surveillance solution, Jupiter provides robust, reliable communication with high-quality video and audio capture, encoding, decoding, transcoding and display, forward error correction, or FEC, raw data pre-processing, and low latency streaming over Ethernet.

Product	Description and Technical Specifications	Picture
<i>Jupiter-AI</i>	Multiple channel SD/HD H.265 codec for low-latency streaming, recording, display + Hailo-8 AI acceleration.	

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Product	Description and Technical Specifications	Picture
<i>Jupiter-Nano</i>	Ultra small dual channel SD/HD h.264/5 codec for low-latency streaming, recording and display.	
<i>Jupiter Mini</i>	Multi-channel H.264/5 codec & AI accelerator	
<i>Jupiter-SB/SB-AI</i>	Multi-channel H.264/5 codec & AI accelerator for Sony block-based applications.	
<i>Jupiter-Drones</i>	Drone oriented dual-channel SD/HD H.265 codec	

supporting end-to-end 100 msec ultra-low latency streaming over networks using Maris SW player for Windows, Linux, and Android.



Uranus Family

Uranus delivers 360° 3D situational awareness and advanced airborne threat protection. It is designed to support land defense missions, providing real-time alerts, ultra-low latency, and high-resolution video encoding (up to 8K) – to deliver clarity and precision in fast-moving scenarios. The platform’s flexible design is ideal for mission-critical applications such as armored fighting vehicles, or AFVs, or observation posts, making it an invaluable asset for modern defense and security operations.

Product	Description and Technical Specifications	Picture
Uranus AI	360° video and AI situational awareness platform.	
Uranus Ultra	Provides 360° 3D situational awareness and airborne perspectives, up to 12 SD/HD camera inputs, AI-driven threat detection, real-time analytics powered by dual Hailo AI accelerators, low latency transmission.	
Uranus Drones	Drone-oriented video encoding solution, featuring a 4K HD / H.265 encoder powered by Rockchip technology. Designed for high-performance aerial video streaming and recording, it delivers low-latency, high-efficiency encoding, making it ideal for UAVs, surveillance, and defense applications.	

Mars Family

The Mars family of miniature intelligent surveillance solutions can be integrated with multiple wireless connectivity options. Modules include RF datalink, RF datalink + LTE, LTE, and Wi-Fi. The system is uniquely designed to capture digital video sensors or Analog cameras, encode H.265 video integrated with AAC audio, stream RTP and RTSP channels over Ethernet, and record MP4 files on EMMC.

Product	Description and Technical Specifications	Picture
Mars V300	The Mars V300, which is our smallest product in size, is a miniature wearable H.265 DVR & Streamer. Able to Capture MIPI or CVBS cameras as well as microphone (on board or external if connected), streams RTP (Unicast/ Multicast) and/or RTSP channels over Ethernet and record MP4 files on EMMC. Able to Act as USB mass storage device when connected to PC and Maintain RTC with battery backup. Set-up using PC App via USB or Ethernet.	
Mars RF	Mars RF is integrated with a long range miniature RF-Datalink.	
Mars DVR	A miniature sniper gun sight H.265 DVR & streamer.	



Venus Family

Product	Description and Technical Specifications
Venus	The Venus is an ultra-low-latency streaming solution based on Neptune core with field programmable gate array, or FPGA, running h.264 Codec-IP core. Specifically designed to meet drones and autonomous vehicle critical requirement for low latency and accurate constant bitrate. Simultaneously supporting dual video inputs or outputs (any combination of HDSDI and Analog). Streaming over Ethernet, sub-frame end-to-end ultra-low-latency, high CBR accuracy, up to 2 separated streams simultaneously, web-browser-based control over networks.
Venus Pro	Armored vehicle video distribution assisting driving & command and control.

Picture



Ruggedized Products

Maris' ruggedized products offer a smart onboard architecture that enables real-time and accurate video and AI processing, such as object detection, classification, and tracking.

Product	Description and Technical Specifications
Jupiter-Drones (R)	Drone oriented dual-channel SD/HD H.265 codec supporting end-to-end 100 msec ultra-low latency streaming over networks using Maris SW player for Windows, Linux, and Android.

Picture



Product	Description and Technical Specifications
Opal	Based on our Jupiter-AI technology, Opal is a tactical edge computing system based on a multi-channel H.264/5 streaming and recording platform with AI acceleration capabilities.
Jade	A ruggedized video distribution platform for defense applications.
Mini Jade	A compact version of the ruggedized video distribution platform for defense applications.
Emerald	Ruggedized raw-video recorder for armored vehicles

Picture



<i>Coral</i>	A miniature tactical intelligence gathering unit.
<i>Jasper</i>	AI-based miniature tactical intelligence gathering unit.
<i>Amethyst</i>	An advanced miniature and low power H.265 multiple stream recorder and streamer over narrow band cellular and ethernet network.



<i>Product</i>	<i>Description and Technical Specifications</i>	<i>Picture</i>
<i>Amethyst 5-G</i>	An advanced miniature and low power H.265 multiple stream recorder and streamer over 5G narrow band cellular and ethernet network.	
<i>Pearl</i>	Ultimate multiple Ultra-HD, edge computing platform.	
<i>Diamond Ultra</i>	AI-based situational awareness platform designed for armored fighting vehicles.	
<i>Onyx</i>	Ruggedized miniature and low-power edge computing solution supporting video streaming & recording and AI applications.	
<i>Saturn</i>	New space situational awareness platform.	

Legacy Products

Certain products from the Mercury and Neptune product families are classified as "Legacy Products," which means they are no longer in active manufacture, but may be available for custom orders.

Strategy

Our strategic objective is to become a globally recognized market leader in video streaming and AI-accelerated edge computing systems designed for unmanned platforms for intelligence gathering and situational awareness applications. As such we are taking steps to expand our activities abroad and strive to enter into agreements or arrangements with new business partners in various world-wide markets.

We intend to continue focusing on expanding our presence in the U.S. market. In October 2024, we established Maris U.S. to serve as the strategic hub for our operations across the United States, further enhancing our ability to deliver localized support and forge new business relationships in North America. In the year ended December 31, 2024, we hired two marketing personnel and a U.S. operations manager to enhance our presence in the U.S. market. Our current and future efforts include:

- participation in various professional expos, conventions and exhibitions;
- entering into agreements or arrangements with distributors in the U.S. markets; and
- exploring collaborative relationships with other defense, HLS and commercial entities for the development of new customized products.

We are also expanding our marketing activities in Eastern Europe, mainly in Poland and Ukraine. We are actively targeting these markets to promote our situational awareness solutions for both UAV applications and awareness from our Jupiter and Uranus families.

Moreover, we intend to continue investing significant resources in research and development to improve and build on our suite of existing products. We plan to develop new cutting-edge products in sync with new market technological developments to maintain our innovative position and competitive advantage in the ever-evolving market.

We intend to further advance our breakthrough technologies and commercialization efforts. To achieve these objectives, we plan to:

- engage with additional suppliers and service providers to improve and streamline our product processes and supply chains;
- increase marketing and sales activities, concentrating on specific target markets;
- increase participation in professional expositions, conventions and exhibitions;
- engage with distributors and systems integrators; and
- establish partnerships and collaborations with strategic customers and entities in the autonomous vehicle, defense, HLS and home security markets.

Intellectual Property

We rely on a combination of intellectual property strategies, including patents and trade secret protection laws, to protect our proprietary technology and intellectual property that includes: (1) proprietary know-how; (2) patents; (3) registered designs (also known in some jurisdictions as design patents); and (4) trademarks.

Our strategy is mostly relying on know-how and confidential information as means to maintain a proprietary and competitive position in the market that is requiring complex and high-performance video and audio processing, streaming, recording and debriefing functionalities implemented for unmanned platforms and alike. As common with intellectual property, we prefer not to register it as patents so as to avoid disclosure of confidential and proprietary data that may jeopardize its intellectual property by enabling competitors to learn of our non-patentable know-how (that will have to be disclosed as part of the registration of the patents for patentable know-how) and use it to their advantage. We believe that our know-how and expertise will permit us to continue to keep ahead of the competition in the design of new products. However, in view of our expected growth and expanding the target markets, we seek to protect some of our innovations also by patents.

In April 2021, we filed a patent application in Israel and currently intend to file additional patents in Israel and then file for an international recognition. Pursuant to international conventions, such as the Paris Convention, an application made in Israel can be used to establish a priority date for applications subsequently made in other countries. For example, the Patent Cooperation Treaty, or the PCT, allows for an international application to be made claiming priority from an application made in a participating country. Under the PCT, a patent application must be made in each country where patent protection is sought and we filed for PCT in April 2022, using the priority date of the application filed in Israel.

In September 2024, we were granted a new patent from the United States Patent and Trademark Office for our innovative forward error correction, or FEC, method, which optimizes FEC processes in media communication streaming.

We have entered into, and intend to continue to enter into, customary confidentiality agreements with our employees, consultants, customers, service providers and vendors that generally require that any confidential or proprietary information developed by us or on our behalf be kept confidential including, but not limited to, information related to our proprietary manufacturing process.

As of March 28, 2025, we:

- own extensive proprietary know-how, which is embedded in our product design, including, for example, modular universal infrastructure (firmware) ubiquitous for the entire range of our products and enabling low-effort customization for a variety of applications; or expertise in mechanical and thermo-design enabling products' operation in extreme environments and conditions (our technology was tested and found to be fully operational in extreme temperature range, thermal vacuum, vibrations, shock absorbency etc. as part of our collaboration with Israeli SpaceIL and its implementation in the Israeli lunar vehicle - "Beresheet" and "Beresheet-2");
- have several patent applications that we contemplate filing in the next twelve months, for processes which, at the current stage of research and preparation, we believe are viable, including, for example, on-the-fly setting of encoding parameters in accordance with collected metadata;
- have one patent for enhanced forward error correction for video streaming; and
- own three Israeli trademarks - "Neptune by Maris" (Israeli Trademark No. 337301), "XtremeView" (Israeli Trademark No. 337303), and "Mercury by Maris" (Israeli Trademark No. 337302).

No assurance can be made that any of our pending patent or trademark applications, or any future applications, will result in the granting of patents or trademarks. There is also a significant risk that any issued patents or trademarks will have substantially narrower claims than those being sought in our applications. Additionally, while we regularly take measures to protect our proprietary information and patentable know-how – such as regularly entering into confidentiality and nondisclosure agreements with our employees and other third parties – it is possible that misappropriation and disclosure, will nevertheless occur.

Competition

The video surveillance and communication platform market in which we operate is characterized by intense competition, constant innovation and advancement, and evolving technological needs. Furthermore, since we compete with several well-established companies, we invest significant efforts to obtain technological advantages at the same time as we strive to offer a more cost-effective solution than the ones offered by our competitors.

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We are constantly striving to improve our competitive status in the market by:

- entering into agreements or arrangements with large and high-level customers in the industry, which we believe enhances our status and reputation in the markets in which we operate and provides opportunities to build on existing relationships and enter into new agreements or arrangements with new customers;
- entering into agreements or arrangements with distributors and technological partners in order to strengthen our position in existing markets to penetrate new markets; and
- providing high level development and support services to existing customers, to promote customer retention, and encourage our customers to rely on us and continue using our services for future project.

Our Competitive Advantages

Armed with our various products and designs, we believe we possess industry-recognized unique combination of knowledge and features. We are a trusted partner in creating and developing products that can reliably serve in the most mission critical real-time video streaming and analysis operations and can be used in conjunction with any unmanned platform. We have an established track record and a vast portfolio of innovative core proprietary technologies, developed by an experienced and dedicated team of engineers, which we believe create a formidable barrier of entry to our competitors.

As such, we believe that our products have significant advantages compared to our competitors, both in terms of miniaturization, latency and functionality, and in our products' ability to provide our customers with a single solution that addresses all their needs in a single customizable, modular product.

During 2023, we entered into several strategic cooperation agreements with international companies.

In 2024, we strengthened our position in the U.S. and Asia Pacific markets by entering into strategic collaborations with international companies. We partnered with LightPath Technologies, integrating critical firmware and hardware to support AI algorithms embedded in LightPath's Infrared Cameras, advancing our capabilities in imaging technology. Additionally, partnered with Renesas Electronics Corporation, a global leader in semiconductor solutions, to develop advanced edge computing solutions. This collaboration also marked our acceptance into Renesas' Preferred Partner Program, further validating our technological leadership and strengthening our global reach. We believe that this product range puts us in a strong competitive position for miniature, low power, low weight and powerful edge computing solutions.

Modularity and Tailor-made Innovative Solutions

Many of our competitors provide single product or functionality solutions. However, we believe our partners and end-customers value technological solutions that allow for the incorporation of several functionalities in a single product and do not require them to piece together technologies from different providers to achieve their desired outcomes. The modular nature of our products allows our products to be easily adapted, adjusted and combined, to meet the needs of the partner and end-customer.

Miniaturization

While all our competitors strive to create smaller and lighter products to compete with the market demand for miniature systems which can be mounted on both mini and micro unmanned platforms as well as on humans and animals. Our products can be miniaturized down to approximately one inch in size and six grams in weight, making them one of the smaller products available in the market today, without compromising the product functionality or operation.

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High Performance Products

Our products can combine high performance video analytics from multiple streams and various data sensors, while supporting various video formats and several network streaming capabilities, while maintaining low power consumption (less than 1 watt) and extremely low latency.

Seasoned Leadership Team and Board with Deep Industry Expertise and Proven Track Record of Innovation

We have been active in the market since our founding in 2010 by Israel Bar, our Chairman, President and CEO. Mr. Bar has extensive experience in the tech sector and oversees the daily operations of our business. Our management team is composed of seasoned technology professionals with an average of more than 20 years of experience in the video industry. We have built strong relationships with the largest defense and HLS entities, who are recurring customers of our products and technological solutions. As such, we have already established a name and reputation as an innovator and begun working with several international companies in several markets where we have enjoyed similar success.

Research and Development

Our future roadmap for products in development in 2025 and beyond includes new OEM solutions as well as high level products based on our existing and new technologies:

- Peridot is an AI-based passive radar with wide field of view. Utilizing multi-sensor stitching technology, Peridot integrates data from multiple sources to generate a continuous and comprehensive situational picture. It is designed for passive operation and enhances threat detection and situation awareness while maintaining low visibility, making it ideal for modern defense applications.
- Opal-Pro is an upgraded version of Opal which builds upon its existing technology.
- Emerald-Light is a miniature raw-video recorder for small platforms. Emerald-Light is a company, high-performance video recording system designed specifically for small platforms such as drones, UGVs, and other lightweight tactical systems. It integrates with deep learning applications, enabling real-time data processing and IA-driven insights. Emerald-Light contains low-power, high-efficient architecture, which ensures reliable raw-video recording for mission-critical operations.
- Topaz is a lightweight edge computing thermal camera featuring AI capabilities and advanced video distribution, powered by Jupiter technology. Topaz is designed

for edge computing applications and enables real-time thermal imaging, intelligence analytics, and data transmission, making it ideal for defense, surveillance, and tactical operations.

- Ruby Light is a high-quality wearable and concealed video system designed for video acquisition and recording.

Production and Manufacturing

We design our products in-house. The manufacturing of the components for our products is outsourced. We purchase such components as shelf products from several manufacturers to reduce dependency on a single manufacturer or on an "end-of-life" of any specific component. Assembly of our products is done by several electronic products assembly contractors. The final stage of "burning" the firmware image the inspections, and the quality control processes are conducted by us to ensure full control of its intellectual property and proper quality control for the products.

We consistently monitor our inventory levels, manufacturing and distribution capabilities, and maintain recovery plans to address potential disruptions that we may encounter. In the future, as we scale up our sales and production further, we may implement a turnkey operation with select manufacturers for our products.

We enter into agreements with our contractors. Pursuant to such agreements, the contractors will provide the components and/or perform the assembly of such components and/or service in accordance with specific terms of the mutually agreed work instructions and purchase orders. The agreements define the responsibilities of each party and the regulatory and compliance requirements that apply and contain industry-standard terms and guidelines.

Marketing, Distribution Methods and Sales

We are a market leader in Israel and are actively pursuing expansion into North America, India, Australia and Eastern Europe. In the future, we also plan to seize opportunities that may arise in Western Europe, Singapore and South Korea. Currently, we provide our partners and end customers both ready-made, off-the-shelf products, sold through our sales representatives, distributors and resellers, and custom-made products developed and adapted specifically to each partner of end-customer needs. As such, our sales staff is often required to offer adjustments to our products to meet customers' precise requirements, or to work closely with our design and development team in order to make specific additional adjustments to design a product that is best suited for the customer.

In May 2023, we received a new order from Art of Logic Pty Ltd Australia, a company developing and manufacturing hardware and software systems for AI and computer vision application. The order was for our Callisto product in a total amount of \$7.5 million. We expect to complete the delivery of the order in 2027.

In July 2023, we received a new order from a leading Indian electro-optics and surveillance systems provider. The order was for a product based on our innovative Mars technology, featuring advanced video streaming and recording capabilities. We expect to complete the delivery of the order in 2026.

In August 2023, we entered into a distribution agreement with Precision Electronics Ltd., or PEL, in India, a leading systems integrator and value-added reseller for C4I2SR solutions establishing PEL as master distributor for our products in India, with the license to sell and promote all of our solutions and custom products as determined us. We have terminated such arrangement in March 2025.

In August 2023, we received a new order from a repeat customer, a leading Israeli defense company for our advanced Jupiter-Nano platform in a total amount of \$120,000. The miniature and lightweight platform will feature multiple input raw video recording capabilities for armored vehicles. The ability to record raw video in the field will enhance deep learning capabilities primarily for AI-based situational awareness applications. We completed delivery of the order in 2024.

In September 2023, we received a new order from an Israeli government defense agency, for a customized solution. We developed a unique system for sophisticated intelligence-gathering applications based on our powerful solutions, incorporating advanced video streaming and recording capabilities. We completed delivery of the order in December 2024. We anticipate receiving additional follow-up orders for system production and delivery.

In October 2023, we received a \$625,000 repeat order for units of our Opal platform from a leading Israeli defense company. The advanced Opal platform is based on our flagship Jupiter AI platform. We have already delivered previously placed purchase order in the amount of \$500,000 for the Opal platform. We completed delivery of the order in 2024.

In January 2024, received a new order of approximately \$590,000 for a customized solution for a governmental agency. The order is for the development and initial supply of a sophisticated, miniaturized AI-based HLS and defense surveillance system that will enable video transmission over narrow-band networks. The solution is based on our flagship Jupiter AI platform. We completed delivery of the order in December 2024.

In February 2024, we received an order for approximately \$190,000 from a return customer in the defense industry, for a video recording, streaming and debriefing solution designed for gun sight in tactical applications. In addition, we received a repeat order for approximately \$600,000 from another leading company in the defense industry for a customized solution that provides armored and autonomous vehicles with enhanced situational awareness. We completed delivery of the order in 2024.

In April 2024, we received a new order for \$415,800 from an existing defense industry customer for a customized product based on our Jupiter NANO platform, providing advanced video streaming capabilities for real-time intelligence gathering and situational awareness. We completed delivery of the order in 2024. In addition, we received a new order for approximately \$110,000 from an existing customer in the defense industry for a unique solution based on the technology of our Mars platform of miniature intelligent surveillance solutions that provide advanced video streaming and recording capabilities. We completed delivery of the order in 2024.

In June 2024, we received an order for \$225,000 from Aero Sol, a leading military drone manufacturer, for a new video payload solution for drone platforms. We also received a repeat order of approximately \$957,000 for a customized solution that provides armored and autonomous vehicles with enhanced situational awareness. This is the third order for this unique solution from the same customer. We completed delivery of the order in December 2024.

In August 2024, we received an order in the amount of \$700,000 from a valued repeat customer for the development and production of a new system with AI-enabled video distribution capabilities, specially designed for armored vehicles. The order is expected to be delivered in stages until 2027.

In December 2024, we received a significant new order for \$1 million by a repeat customer located in the United States, for hundreds of units of a product based on the Jupiter family and designed to meet the specific needs of the HLS sector. We expect to complete the delivery of the order during 2025.

In January 2025, we received an order for our Jupiter Nano system, which will be integrated into weapon systems for a defense project in Eastern Europe. This order marked the first Eastern European defense order and expansion into a new defense market. We expect to complete the delivery of the order during 2025.

In February 2025, we received an order for \$400,000 from a return customer for our Uranus-based situational awareness solution. This order marked the fourth consecutive

order from this customer in the defense sector. We expect to complete the delivery of the order during 2025.

In March 2025, we entered into a distribution agreement with Thrikasa Technologies, a leading supplier of computing solutions for rugged environment in India, for the sale of our products in India.

From time to time, we enter into Non-Recurring Engineering, or NRE, agreements pursuant to which we develop a specialized product, based on customer's requirements.

We routinely enter into agreements or arrangements with distributors, resellers and channel partners for the purpose of distributing our products, and have already entered into sales and development agreements with numerous customers for the development of specific custom-made products and technical solutions. Our highly skilled marketing and sales staff are uniquely qualified to understand customers' requirements and provide the correct technical solutions based on our portfolio of products, technological knowledge and capabilities.

We intend to expand our marketing and sales activities by taking the following actions:

- expanding marketing efforts in the U.S., with a focus on drones, defense and HLS applications;
- expanding our distribution network by identifying strategic international distributors with technological expertise;
- deepening cooperation with leading worldwide system manufacturers and integrators;
- introducing a royalty-based compensation program for strategic partners;
- revamping our internet presence and targeting strategic partners;
- participating in major worldwide trade shows; and
- appointing marketing consultants.

Government Regulation and Product Approval

Other than the provisions of the Research Law, which may restrict our ability to move the production of products developed using grants received from the Israeli Innovation Authority, or the IIA (see "Risk Factors - Risks Related to Israeli Law and our Operations in Israel - We received Israeli government grants for certain of our research and development activities, the terms of which may require us to pay royalties and to satisfy specified conditions in order to manufacture products and transfer technologies outside of Israel. If we fail to satisfy these conditions, we may be required to pay penalties and refund grants previously received" for further information), we currently do not require any license, permit or approval by any governmental agency to operate.

We do not anticipate any significant problems in obtaining any future required licenses, permits or approvals should such be necessary to expand our business.

C. Organizational Structure

We have a North American subsidiary, Maris North America, that is incorporated under the laws of Delaware.

D. Property, Plant and Equipment

Our main business activities are conducted at our headquarters office at 2 Yitzhak Modai St. Rehovot, Israel. We lease 634 square meters of office space at this location under a lease with an unrelated third-party which currently expires in October 2027.

We consider that our current office space is sufficient to meet our anticipated needs for the foreseeable future and is suitable for the conduct of our business.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. Operating Results

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes included elsewhere in this Annual Report. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified in "Cautionary Note Regarding Forward-Looking Statements" and under "Risk Factors" elsewhere in this Annual Report. Our discussion and analysis for the year ended December 31, 2023 compared to the year ended December 31, 2022 can be found in our Annual Report on Form 20-F for the fiscal year ended December 31, 2023, filed with the SEC on March 21, 2024.

Overview

We are a B2B provider of intelligent video transmission technology with AI acceleration for edge platforms, using high-end digital video, audio and wireless communication technologies. We design, develop, manufacture and commercially sell miniature intelligent video and audio surveillance and communication systems with AI acceleration, which are offered as products and solutions for the professional as well as the civilian and home security markets. Our products and solutions are sold as off the shelf, standalone and ready to use products, or as customized components that meet our customers' requirements and integrate into their systems and products. Our customers include companies operating in the drone, robotic, defense, HLS, intelligence gathering, autonomous vehicle and space markets.

Comparison of the Year Ended December 31, 2024 and 2023

Results of Operations

The following table summarizes our results of operations for the periods presented.

U.S. dollars	Year Ended December 31,	
	2024	2023
Revenues	\$ 6,078,953	\$ 4,031,103
Cost of revenues	\$ 2,562,832	\$ 2,103,707
Gross profit	\$ 3,516,121	\$ 1,927,396
Research and development expenses, net	\$ 927,048	\$ 1,054,895
Sales and marketing	\$ 923,439	\$ 874,793
General and administrative	\$ 3,014,378	\$ 2,927,310
Loss from Operations	\$ (1,348,744)	\$ (2,929,602)
Financial income, net	\$ 114,852	\$ 220,006
Net Loss	\$ (1,233,892)	\$ (2,709,596)

Revenues

Our revenues for the year ended December 31, 2024 were \$6,078,953, representing an increase of \$2,047,850, or 51%, compared to \$4,031,103 for the year ended December 31, 2023. The increase was primarily attributable to an increase in sales to existing and new customers in the defense market mainly in Israel during the year ended December 31, 2024, including as a result of certain of our products reaching maturity and validation among customers from the defense market.

Cost of Revenues

Our cost of revenues for the year ended December 31, 2024 was \$2,562,832 representing an increase of 459,125 or 22%, compared to \$2,103,707 for the year ended December 31, 2023. The increase was primarily due to an increase in production costs and purchases of component parts as of result of the increase in sales.

Gross Profit

Our gross profit for the year ended December 31, 2024 was \$3,516,121 (gross profit rate of 57.8%) representing an increase of \$1,588,725 or 82%, compared to \$1,927,396 (gross profit rate of 47.8%) for the year ended December 31, 2023. The increase was primarily due to the increase in sales.

Research and Development Expenses

Our net research and development expenses for the year ended December 31, 2024 were \$927,048, representing a decrease of \$127,847 or 12%, compared to \$1,054,895 for the year ended December 31, 2023. The decrease was primarily due to increase in supports of R&D costs from the IIA.

Sales and Marketing Expenses

Our sales and marketing expenses were \$923,439 for the year ended December 31, 2024, representing an increase of \$48,646 or 6%, compared to \$874,793 for the year ended December 31, 2023. The increase was mainly attributable to increased payments to service providers in the area of business development, sales and marketing and hiring new sales and meeting manager.

General and Administrative Expenses

Our general and administrative expenses were \$3,014,378 for the year ended December 31, 2024, an increase of \$87,068 or 3%, compared to \$2,927,310 for the year ended December 31, 2023. The increase was mainly attributable to increases in costs related to allowance for credit losses offset by decrease in insurance costs.

Operating Loss

As a result of the foregoing, our operating loss for the year ended December 31, 2024 was \$1,348,744, compared to an operating loss of \$2,929,602 for the period ended December 31, 2023, a decrease of \$1,580,858 or 54%.

Financial Expenses, net

Financial expense, net, consist of bank fees, interest on deposits and other transactional costs, exchange rate differences and the remeasurement of outstanding warrants to purchase Ordinary Shares and remeasurement of investments.

We recognized net financial income of \$114,852 for the year ended December 31, 2024, compared to net financial income of \$220,006 for the year ended December 31, 2023, a decrease of \$105,154. The decrease was primarily attributable to decrease in interest received from bank deposits.

Net Loss

As a result of the foregoing, our net loss for the year ended December 31, 2024 was \$1,233,892, compared to \$2,709,596 for the year ended December 31, 2023, a decrease of \$1,475,704 or 54%.

B. Liquidity and Capital Resources

Overview

Since our inception we have funded our operations principally from bank loans and line of credit, issuance of Ordinary Shares, Preferred Shares and warrants to purchase Ordinary Shares and Preferred Shares and from long-term loans from shareholders. We have incurred losses and generated negative cash flows from operations since our inception.

As of December 31, 2024, we had \$2,335,232 in cash and cash equivalents and restricted deposits.

The table below summarizes our cash flows for the periods indicated.

U.S. dollars	For the Year Ended December 31,	
	2024	2023
Net cash used in operating activities	\$ (2,219,583)	\$ (3,871,157)
Net cash provided by investing activities	2,961,065	5,818,349
Net cash used in financing activities	(489,436)	(119,536)
Net increase in cash and cash equivalents	\$ 252,046	\$ 1,827,656

We have experienced net losses and negative cash flows from operations since our inception and have relied on our ability to fund our operations primarily through proceeds from sales of Ordinary Shares, Bank Loans, Line of credit and long-term loans from shareholders.

As of December 31, 2024 and 2023, we had working capital of \$5,470,525 and \$7,264,319, respectively; an accumulated deficit of \$12,136,015 and \$10,902,123, respectively; and negative cash flow from operating activity of \$2,219,583 and \$3,871,157, respectively. We anticipate that such losses will continue until our new products reach commercial profitability. If we are unable to successfully commercialize our product candidates and reach profitability or obtain sufficient future financing through debt or issuance of equity, we will be required to delay some of our planned research and development programs.

Our backlog as of January 1, 2025, was approximately \$9.8 million. As of March 28, 2025, our backlog was approximately \$9.9, part of which is expected to be delivered and be recognized as revenues by the end of 2025, and the remainder during 2026 and 2027. We define backlog as the accumulation of all pending orders with a later fulfillment date for which revenue has not been recognized and we consider valid. The backlog consists of executed purchase orders from new customers and existing customers with which we have had long-standing relationships and from governmental agencies. The increase in backlog and sales is a result in our products reaching maturity and validation among our customers. Our management estimates that such sales will continue in the coming year. However, because revenue will not be recognized until we have fulfilled our obligations to a customer, there may be a significant amount of time between executing an agreement or purchase order with a customer and delivery of the product to the customer and revenue recognition. In addition, backlog is not necessarily indicative of future earnings (see "Item 3.D. Risk Factors - Risks Related to Our Business, Industry, Operations and Financial Condition - Amounts included in backlog may not result in actual revenue and are an uncertain indicator of our future earnings" for further information).

In addition, on March 24, 2021, we entered into a share purchase agreement, which was amended and restated on April 27, 2021 and August 4, 2021, as amended and restated, the March 2021 SPA, pursuant to which we issued an aggregate of 489,812 Preferred Shares, to certain investors in a private placement, or the March 2021 Private Placement, for aggregate gross proceeds of \$1.5 million. These Preferred Shares were converted into an equal number of Ordinary Shares in connection with the closing of the IPO. The March 2021 investors also received warrants to purchase up to an aggregate of 489,812 Ordinary Shares. Such warrants are exercisable until March 24, 2026, at an exercise price of \$6.1248 per Ordinary Share.

As of December 31, 2024 and 2023, we had \$2,335,232 and \$2,083,186 in cash and cash equivalents and restricted deposits, respectively and \$0 and \$3,148,746 in short-term bank deposits, respectively. We expect that our existing cash and cash equivalents as of December 31, 2024, together with anticipated revenue from existing customers pursuant to existing purchase orders, as well as projected revenue from new customers, will be sufficient to fund our current operations and satisfy our obligations for the next twelve months. Accordingly, the financial statements have been prepared on a basis that assumes that we will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business. Our operating plans may change as a result of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned. Our future capital requirements will depend on many factors, including:

- the progress and costs of our research and development activities;
- the costs of manufacturing our products;
- the costs of filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;

- the potential costs of contracting with third parties to provide marketing and distribution services for us or for building such capacities internally; and
- the magnitude of our general and administrative expenses.

Operating Activities

Cash used in operating activities mainly consists of our net loss adjusted for certain non-cash items, including share-based compensation, depreciation expenses and changes in operating assets and liabilities during each period.

Net cash used in operating activities was \$2,219,583 for the year ended December 31, 2024, compared to net cash used in operating activities of \$3,871,157 for the year ended December 31, 2023. Net cash used in operating activities was primarily attributable to decrease in net loss for the year ended December 31, 2024 of \$1,233,892 (compare to \$2,709,596 for the year ended December 31, 2023), an increase of \$504,396 in trade receivables due to supply of orders before the year end, an increase of \$649,663 in inventory due to inventory purchased in order to supply outstanding orders in the beginning of 2025, partially offset by an increase of \$159,691 in other current liabilities from a related party, as a result of future payments that should be made to suppliers and other service providers.

Investing Activities

Net cash provided by investing activities was \$2,961,065 for the year ended December 31, 2024, as compared to net cash provided by investing activities of \$5,818,349 for the year ended December 31, 2023. The decrease is mainly attributable to decrease in proceeds from release of short-term deposits.

Financing Activities

Net cash used in financing activities was \$489,436 for the year ended December 31, 2024 due to the repayment of the shareholders loan, compared to net cash used in financing activities of \$119,536 for the year ended December 31, 2023, which were mainly attributable to the Repurchase Plan.

Financial Arrangements

Since our inception, we have financed our operations primarily through proceeds from sales of Ordinary Shares, Preferred Shares, warrants, credit lines and long-term loans from banks and shareholders.

During the years ended December 31, 2024 and December 31, 2023, we did not receive any long term loans from banks.

Since our inception, Israel Bar, our Chief Executive Officer, a director and our largest shareholder, and Joseph Gottlieb, our other director and second largest shareholder, have provided loans to us in an aggregate amount of NIS 7,513,887 (approximately \$2,282,364), or the Shareholders Loan. As of December 31, 2024 and 2023, the outstanding balance under the Shareholders Loan was \$589,467 and \$1,088,250, respectively.

On February 4, 2022, we closed our IPO and issued and sold (including pursuant to the partial exercise of the over-allotment option) a total of 3,755,724 Ordinary Shares, Pre-Funded Warrants to purchase up to 488,324 Ordinary Shares and Warrants to purchase up to 4,244,048 Ordinary Shares. The Warrants have an exercise price of \$5.25 per Ordinary Share and may be exercised until February 4, 2027, and the Pre-Funded Warrants have an exercise price of \$0.001 per Ordinary Share and may be exercised at any time until exercised in full. In connection with the IPO (including over-allotment and Pre-Funded Warrant exercises), we issued and sold 4,244,048 Ordinary Shares and Warrants to purchase up to 4,244,048 Ordinary Shares and received aggregate gross proceeds of approximately \$17.8 million, before deducting underwriting discounts and commissions and before offering expenses.

On March 26, 2025, we entered into a \$4 million credit line agreement, or the Credit Facility, with United Mizrahi-Tefahot Bank Ltd., or the Bank, on accepted commercial terms for similarly-sized companies. Loans from the credit line will have a maturity date of up to three months. For loans with a maturity date exceeding one month (up to three months), the interest will be paid on a monthly basis. For loans with a shorter maturity date, the interest will be paid on the maturity date. The Credit Facility will be in force for a period of 12 months from the date of the agreement. The Credit Facility is secured by all of our assets. In addition, the Credit Facility includes certain customary information rights in favor of the Bank, restrictive covenants of the Company and of Maris U.S., and the agreement by two of our shareholders to certain subordination restrictions with respect to loans they have provided to us.

Off-Balance Sheet Arrangements

We have entered into several research and development programs, pursuant to which we received grants from the IIA and are therefore in some cases obligated to pay royalties to the IIA at a rate of 3% to 5% on sales proceeds from products that were developed under IIA programs up to the total amount of grants received, linked to the U.S. dollar and bearing interest at the annual SOFR applicable to U.S. dollar deposits. With respect to IIA grants approved by the IIA prior to January 1, 2024, but which are outstanding thereafter, the annual interest rate shall be the higher of (i) the twelve months SOFR plus 1%, or (ii) a fixed annual interest rate of 4%. We may be required to pay additional royalties upon the occurrence of certain events as determined by the IIA, that are within our control.

The total amount of grants received as of December 31, 2024, which we are obligated to pay royalties as described above, was approximately \$608,000 (including accumulated interest). During the year 2012, we paid the IIA royalties in the amount of approximately \$7,301 in connection with a single sale for pilot purposes. Since 2013, we did not utilize the intellectual property that was developed using the governmental grant in any of our products.

In August 2022, we received approval for a joint grant with Ben Gurion University, Be'er Sheva, Israel, from the IIA for the joint development of AI and machine learning based system for detecting, diagnosing and predicting faults and malfunction in drones. This grant is not subject to royalty payments to the IIA. The total approved budget we received for the first year of the joint project amounts to NIS 1,314,024 (approximately \$360,303). The grant represents 66% of the total budget for the project (approximately \$237,800). As of December 31, 2024, we had received NIS 806,232 (approximately \$221,067) from the IIA with respect to this program.

In June 2023, we received grant approval from the IIA in the amount of NIS 1,209,797 (approximately \$331,724) to support the first-year development of an innovative system for onboard situation awareness for nanosatellite platforms. The grant represents 50% of the total budget for the first year of the project. As of December 31, 2024, we had received NIS 1,088,817 (approximately \$298,551) from the IIA with respect to this program.

In November 2023, we received grant approval for the second year of the joint project with Ben Gurion University, Be'er Sheva, Israel, from the IIA. The total approved budget we received for the second year of the joint project amounts to NIS 935,544 (approximately \$256,524). The grant represents 66% of the total budget for the project (approximately \$169,306). As of December 31, 2024, we had received NIS 543,700 (approximately \$149,081) from the IIA with respect to this program.

Total research and development income recorded in the statements of operations for the year ended December 31, 2024 was NIS 1,152,294 (approximately \$307,962).

We do not believe that off-balance sheet arrangements and commitments are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

C. Research and development, patents and licenses, etc.

For a description of our research and development programs and the amounts that we have incurred over the last two years pursuant to those programs, please see "Item 5.A. Operating Results- Operating Expenses- Research and Development Expenses, net" and "Item 5.A. Results of Operations- Comparison of the year ended December 31, 2024, to the year ended December 31, 2023- Research and Development Expenses, net."

D. Trend information

The trends impacting us are described elsewhere in this Annual Report, including in "Item 3.D. Risk Factors", "Item 4.B. Business Overview", "Item 5.A. Operating Results", "Item 5.B. Liquidity and Capital Resources", and Item 10.C. Material Contracts".

E. Critical Accounting Estimates

We describe our significant accounting policies more fully in Note 2 to our financial statements included elsewhere in this Annual Report. We believe that the accounting policies described below and in Note 2 to our financial statements are critical in order to fully understand and evaluate our financial condition and results of operations.

We prepare our financial statements in accordance with U.S. GAAP. At the time of the preparation of the financial statements, our management is required to use estimates, evaluations, and assumptions which affect the application of the accounting policy and the amounts reported for assets, obligations, income, and expenses. Any estimates and assumptions are continually reviewed. The changes to the accounting estimates are credited during the period in which the change to the estimate is made.

Revenue Recognition

We determine the appropriate revenue recognition for our contracts with customers by analyzing the type, terms and conditions of each contract. We classify the revenue components as products according to the attributes of the underlying components.

Our contract payment terms typically range between 30 and 150 days. We assess collectability based on several factors, including collection history.

Inventory Provision

Inventory write-offs are provided to cover risks arising from slow moving items or technological obsolescence. Reserves for potentially excess and obsolete inventory are made based on management's analysis of inventory levels, future sales forecasts. Once established, the original cost of our inventory less the related inventory reserve represents the new cost basis of such products.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Our management believes that the estimates, judgment and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgment and assumptions can affect reported amounts and disclosure made. Actual results could differ from those estimates.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our executive officers, key employees and directors as of March 28, 2025:

Name	Age	Position
Israel Bar	71	Chief Executive Officer, Class III Director ⁽⁶⁾
Nir Bussy	43	Chief Financial Officer
Magenya Roshanski	69	Chief Technology Officer
Carmela Bastiker	50	Chief Operating Officer
David Raviv	60	VP Marketing and Business Development
Nir Ben Moshe	57	North America Regional Operations Manager
Amitay Weiss	62	Chairman of the Board of Directors and Class II Director ^{(1) (2)(3)(5)}
Isabela Marshak	77	Class I Director ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
Joseph Gottlieb	71	Class I Director ⁽⁴⁾
Naama Falach Avrahamy	45	Class II Director ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾

(1) Member of Compensation Committee

(2) Member of the Audit Committee and Financial Statement Examination Committee

(3) Independent Director (as defined under Nasdaq Listing Rules)

(4) Class I directors hold office until the annual general meeting to be held in 2025 and until their successors shall have been elected and qualified

(5) Class II directors hold office until the annual general meeting to be held in 2026 and until their successors shall have been elected and qualified

(6) Class III directors hold office until the annual general meeting to be held in 2027 and until their successors shall have been elected and qualified

Israel Bar, Founder and Chief Executive Officer and Director

Mr. Israel Bar has served as our Chief Executive Officer and director since our inception in May 2008. Mr. Bar is the founder of the Company. Prior to that, from 1999 to 2008 Mr. Bar served as chief executive officer, head of marketing and co-founder of Exatel Visual Systems Ltd. Between the years 1996 to 1999 Mr. Bar acted as managing director of Real Vision Ltd. and before that, between 1993 to 1996 as the managing director of the then public company TVG Technologies Ltd. Mr. Bar also served as software programmer and officer in the Israeli Air Force from 1972 until 1978, and was released as a Major. Mr. Bar received his B.Sc. in Mathematics and Computer Science from Bar Ilan University, Israel. We believe that Mr. Bar is qualified to serve on our board of directors because of his vast business, management and leadership experience.

Nir Bussy, Chief Financial Officer

Mr. Nir Bussy has served as our Chief Financial Officer since April 2022. Mr. Nir Bussy is an experienced high-tech executive, with over 15 years of experience in several positions as Vice President of Finance, Chief Financial Officer and Controller in private and public companies. He served as vice president of finance and chief financial officer of Telefire Fire and Gas Detectors Ltd. since October 2017. Mr. Bussy held the role of Chief Financial Officer and VP of Crow Electronic Engineering Ltd. (OTC: CRWTF) from 2012 to 2017, and prior to that, Mr. Bussy worked as controller of Crow Electronic Engineering Ltd. from 2009 to 2012. From 2006 to 2009, Mr. Bussy worked as a senior in the high-tech group of Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited. In addition, Mr. Bussy is a Certified Public Accountant in Israel and has B.A in Economics and Accounting and a master's degree in Accounting from Bar Ilan University Israel.

Magenya Roshanski, Chief Technology Officer

Mr. Magenya Roshanski has served as our Chief Technology officer since March 2012. Mr. Roshanski has a record of more than 30 years in the Israeli Hi-Tech industry, serving in research and development, marketing and management positions in companies dealing with the security and consumer markets. Mr. Roshanski previously served as the chief technology officer and co-founder of Exatel Visual Systems Ltd., a broadcasting, consumer and security digital video technologies company from 1996 to 1999. He also served as the chief technology officer of Real Vision Ltd., TVG Technologies Ltd. and Gal-Graph Ltd., video, graphics and imaging technology companies. Mr. Roshanski holds a degree in Electronic Engineering from Ben Gurion University, Israel.

Carmela Bastiker, Chief Operating Officer

Mrs. Carmela Bastiker has served as our Chief Operating Officer since November 2009. Prior to that Mrs. Bastiker served as the chief technology officer of Exatel Visual Systems Ltd. from 2000 to 2009. Mrs. Bastiker received a degree in Business Administration and a degree in Human Resource Management and Training from the Open University, Israel.

David Raviv, VP Marketing and Business Development

Mr. David Raviv has served as our VP of Marketing and Business Development since February 2021. Mr. Raviv has a vast experience in senior managerial positions, including as a business development manager of Goldtec Technologies Ltd. from August 2014 to January 2020, the chief executive officer of Prosys Technologies Ltd. - C2 Centers for HLS and Military Sectors from October 1995 to January 2016, and founder and chief technology officer of BUG Multi System Ltd., the Israel largest technology retail chain.

Nir Ben Moshe, North America Regional Operations Manager

Mr. Nir Ben Moshe has served as our North America Regional Operations Manager since January 2025 and a member of our advisory board since February 2023. Mr. Ben Moshe is a defense and security specialist and a former Director of Directorate of Security for the Defense Establishment (DSDE) at the Israeli Ministry of Defense. Mr. Ben Moshe is an accomplished senior executive who has managed large-scale, highly sensitive national security operations involving hundreds of personnel and significant budgets, devising strategies in a global environment. Mr. Ben Moshe holds a master's degree in security and diplomacy from Tel Aviv University in Israel. **Amitay Weiss, Chairman of the Board of Directors and Director**

Mr. Amitay Weiss has served on our board of directors since February 2022 and was appointed Chairman of the board of directors in March 2023. Mr. Weiss has a vast experience serving on boards of directors and other high positions. Mr. Weiss has served as a director of Rail Vision Ltd. (Nasdaq: RVSN) since January 2024. He also has served as chairman of the board of directors of Scisparc Ltd. (Nasdaq: SPRC) since January 2022, as chairman of the board of directors of Save Foods Inc. (Nasdaq: SVFD) since August 2020, chairman of the board of directors of Infimer Ltd. (TASE: INFR-M) since July 2021 and chairman of the board of directors of Upsellon Brands Holdings Ltd. (previously Chiron Ltd.) (TASE: UPSL) since June 2019. He has also served as a member of the board of directors of Automax Motors Ltd. (TASE: AMX) since March 2021, Gix Internet Ltd. (previously Algomizer Ltd.) (TASE: GIX) since March 2019, Cleamind Medicine Inc. (previously Cyntar Ventures Inc.) (CSE: CMND) since August 2019, Perihelion Capital Ltd (PCLP:CVE) since June 2021, as an external director of Cofix Group Ltd. (TASE: CFCS) since August 2015. He previously served as chairman of the board of directors of Value Capital One Ltd. (previously P.L.T Financial Services Ltd.) (TASE: VALU) from April 2016 to February 2021, Matomy Media Group Ltd. (LSE: MTMY, TASE: MTMY.TA) from May 2020 to March 2021. In April 2016, Mr. Weiss founded Amitay Weiss Management Ltd., an economic consulting company and now serves as its chief executive officer. Mr. Weiss holds a B.A. in economics from New England College, M.B.A. in business administration and LL.B. from Ono Academic College, Israel. Weiss is qualified to serve on our board of directors because of his diverse business, management and leadership experience.

Isabela Marshak, Director

Ms. Isabela Marshak has served on our board of directors since December 2022. Ms. Marshak is an experienced media and public relations professional. Ms. Marshak is also the owner and manager of a real estate business in Israel and Romania since 1997, and the co-owner of private company specializing in private flight training and licensing since 2001. Ms. Marshak holds a B.A. in International relations from the Hebrew University in Jerusalem, Israel. We believe that Ms. Marshak is qualified to serve as a director due to her business experience and strong background in the field of media and public relations.

Joseph Gottlieb, Director

Mr. Joseph Gottlieb has served as a member of our board of directors since March 2021. Mr. Gottlieb currently serves as the chief executive officer of Colint Ltd. since 1981 and Innovative Industries Inc. since 2010. Mr. Gottlieb has more than 20 years of experience in electrical engineering. Mr. Gottlieb holds a B.Sc. in electrical engineering from the Technion Institute of Technology Haifa, Israel. We believe that Mr. Gottlieb is qualified to serve on our board of directors due to his expertise in electrical engineering and business management.

Naama Falach Avrahamy, Director

Ms. Naama Falach Avrahamy has served on our board of directors since February 2022. Ms. Falach Avrahamy is a senior financial professional with more than 17 years of experience. Ms. Falach Avrahamy has served as a member of the board of directors of ParaZero Technologies Ltd. (Nasdaq: PRZO) since August 2023, of Argaman Industries (TASE: Argaman) since June 2021 and of Crow Technologies 1977 Ltd. (OTC: CRWTF) since May 2018. She has also served as VP of finance of INX Digital Company Inc. (NEO: INXD.NE) since April 2021. She previously served as the chief financial officer and chief operating officer of NGG Global Consulting, a consulting group specializing in organizational and operational excellence solutions from May 2019 to February 2021, and as chief financial officer of AnyfinancialTech Ltd., an online financial trading platform from May 2015 to June 2017. Ms. Falach Avrahamy received a BA in Business Administration and Accounting from the College of Management, Israel. She is also a graduate of the Directors and Executives program from the IDC Herzliya, Israel. We believe that Ms. Falach Avrahamy is qualified to serve on our board of directors due to her financial background and expertise and experience in positions as director of public companies.

Advisory Board

In February 2023, we established an advisory board, which is currently comprised of three experts in the fields of marketing of video technologies and products and managing national security operations. The advisory board members assist us in the aforementioned fields, and we consult with the members of our advisory board on a regular basis. The members of our advisory board receive compensation in the form of cash payments or option grants in accordance with the terms of their respective agreements.

Mr. Leslie G. Litwin has decades of experience in marketing of video technologies and products. He is currently the managing director and founder of Antrica Ltd, world-wide specialist, manufacturer and supplier of video encoders and video decoders. Mr. Litwin and Antrica Ltd serve, very successfully, as one of the distributors of the Company's products abroad, and Mr. Litwin personally has many years of familiarity with the Company and variety of its products. Mr. Litwin is also the founder of Zilica Ltd., a company engaged in sales and marketing of specialized video and closed-circuit television (CCTV) and sub-assemblies into European design and development companies. Prior to that, Mr. Litwin served in number of senior marketing and sales rolls in global leading companies.

Mr. Nir Ben Moshe is a senior executive with experience managing large-scale, highly sensitive national security operations around the world. In his last position, Mr. Ben Moshe served as a director in the Directorate of Security for the Defense Establishment (DSDE) in Israel. In that position Mr. Ben Moshe was responsible for the security of the Ministry of Defense, Israeli defense industries, defense research and development organizations and defense manufacturers, and managing a yearly budget of hundreds of millions of dollars. Mr. Ben Moshe has also served as our North America Regional Operations Manager since January 2025.

Mr. Adam Emanuel has over 30 years of experience in aerospace defense and HLS in the U.S. federal market space, representing both U.S. and major Israeli companies. He has facilitated joint programs between the U.S. and Israeli governments, accompanying the entire process, including advocacy on Capitol Hill, funding, competition, and the Americanization of technology.

Family Relationships

There are no family relationships between any members of our executive management and our directors.

Arrangements for Election of Directors and Members of Management

There are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any of our executive management or our directors were selected (see "Related Party Transactions" for additional information).

B. Compensation

The following table presents in the aggregate all compensation payable by us to all of our directors and senior management as a group for the year ended December 31, 2024. The table does not include any amounts paid to reimburse any of such persons for costs incurred in providing us with services during this period.

All amounts reported in the tables below reflect the cost to Maris, in thousands of U.S. Dollars, for the year ended December 31, 2024. Amounts paid in NIS are translated into U.S. dollars at the rate of NIS 3.647 = U.S. \$1.00, based on the average representative rate of exchange between the NIS and the U.S. dollar as reported by the Bank of Israel during such period of time.

	Salary, bonuses and Related Benefits	Pension, Retirement and Other Similar Benefits	Share Based Compensation
All directors and senior management as a group, consisting of 9 persons as of December 31, 2024	\$ 1,428,462	\$ 56,311	\$ 116,306

For so long as we qualify as a foreign private issuer, we will not be required to comply with the proxy rules applicable to U.S. domestic companies regarding disclosure of the compensation of certain executive officers on an individual basis. In accordance with the Companies Law, we are required to disclose the compensation granted to our five most highly compensated officers. The table below reflects the compensation granted during or with respect to the year ended December 31, 2024.

Executive Officer	Salary and Related Benefits ⁽¹⁾	Bonus Payments, Benefits and Perquisites	Share-Based Compensation	Total
Israel Bar	\$ 268,795	\$ 210,584	\$ 46,402	\$ 525,781
Nir Bussy	\$ 212,998	\$ 47,162	\$ 9,367	\$ 269,527
Carmela Bastiker	\$ 179,279	\$ 43,872	\$ 16,038	\$ 239,189
David Raviv	\$ 170,323	\$ 19,194	\$ 16,038	\$ 205,555
Magenya Roshanski	\$ 168,047	\$ 16,452	\$ 16,038	\$ 200,537

(1) Represents the directors' and senior management's gross salary plus payment of mandatory social benefits made by the Company on behalf of such persons. Such benefits may include, to the extent applicable to the executive, payments, contributions and/or allocations for savings funds, education funds (referred to in Hebrew as "Keren Hishtalmut"), pension, severance, risk insurances (e.g., life or work disability insurance) and payments for social security.

Employment or Service Agreements with Executive Officers

We have entered into written employment or service agreements with each of our executive officers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law. In addition, we have entered into our standard form of indemnification agreement, in the form filed as an exhibit to this Annual Report, with each of our directors and members of our senior management. Each such indemnification agreement provides the indemnified person with indemnification to the maximum extent permitted under applicable law and up to a certain amount, and to the extent that these liabilities are not covered by directors and officers insurance or other indemnification agreement. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

On April 26, 2022 and April 28, 2022, the compensation committee of our board of directors, or the Compensation Committee, and our board of directors, respectively, approved and recommended to our shareholders to approve, the adoption of a compensation policy, which was approved by our shareholders in their meeting which took place on June 21, 2022. Our compensation policy is effective for a period of five years following its adoption by our shareholders as mentioned above.

Service Agreements with Non-Executive Directors

We have entered into written service agreements with each of our non-executive directors. Such director service contracts set out the key terms and conditions of the director's appointment, including their compensation for services as members of the board of director, duties, rights and responsibilities, time commitment and the board of directors' expectations regarding involvement with committees of the board of directors.

Share Option Plan

The Option Plan was approved by the general meeting of shareholders on February 23, 2021. The Option Plan provides for the grant of options to our directors, employees, officers, consultants and service providers from a pool of up to 800,000 Ordinary Shares. The number of Ordinary Shares in the pool is also subject to adjustment under certain circumstances (e.g., reorganization of our equity capital). As of March 28, 2025, no Ordinary Shares had been issued upon exercise of options, 802,060 options had been granted but had not been exercised, 159,702 options have vested, 81,496 options were forfeited or expired and returned to the pool, and 79,436 Ordinary Shares remained available for future grants. Our Option Plan is administered by our board of directors, regarding the granting of options and the terms of option grants, including exercise price, method of payment, vesting schedule, acceleration of vesting and the other matters necessary in the administration of this plan.

Eligible Israeli employees, officers and directors, would qualify for provisions of Section 102(b)(2) of the Israeli Income Tax Ordinance [New Version], or the Tax Ordinance. Pursuant to such Section 102(b)(2) of the Tax Ordinance, qualifying options and shares issued upon exercise of such options are held in escrow and registered in the name of an escrow agent selected by the board of directors. The escrow agent may not release these options or shares to the holders thereof for two years from the date of the registration of the options in the name of the escrow agent. Under Section 102 of the Tax Ordinance, any tax payable by an employee from the grant or exercise of the options is deferred until the transfer of the options or Ordinary Shares by the escrow agent to the employee or upon the sale of the options or Ordinary Shares, and gains may qualify to be taxed as capital gains at a rate equal to 25%, subject to compliance with specified conditions. Under Israeli tax law, Israeli non-employee service providers and controlling shareholders may only be granted options under Section 3(9) of the Tax Ordinance, which does not provide the full tax benefits.

As a default, our Option Plan provides that upon termination of employment for any reason, other than in the event of death, retirement, disability or cause, all unvested options will expire and all vested options will generally be exercisable for 90 days following such termination, subject to the terms of our Option Plan and the governing option agreement.

Notwithstanding the foregoing, in the event the engagement is terminated for cause, including, *inter alia*, due to dishonesty toward the Company or its affiliate, substantial malfeasance or nonfeasance of duty, unauthorized disclosure of confidential information, and conduct substantially prejudicial to the business of the Company or affiliate; or any substantial breach by the optionee of his or her employment or service agreement, all options granted to such optionee, whether vested or unvested, will not be exercisable and will terminate on the date of the termination of his employment.

Upon termination of employment due to death or disability, all the options vested at the time of termination, will generally be exercisable for 12 months, or such other period as determined by the plan administrator, subject to the terms of our Option Plan and the governing option agreement.

Options

In June and July 2021, our board of directors approved the issuance of options to purchase an aggregate of 285,422 Ordinary Shares to be granted under our Option Plan to certain employees, directors and consultants, upon the successful completion of an initial public offering. Upon the completion of the IPO, on February 4, 2022, we issued the following options: (i) options to purchase an aggregate of 71,496 Ordinary Shares to Mr. Joseph Weiss, who served as the chairman of the board of directors until December 28, 2022, which options were exercisable for a period of five years from their date of issuance, at a price of \$4.20 per Ordinary Share, and vest 8.33% at the end of each three month period of continuous services; (ii) options to purchase an aggregate of 10,000 Ordinary Shares to Mr. Amitay Weiss and options to purchase an aggregate of 2,500 Ordinary Shares to Ms. Naama Falach Avrahami, two of our directors, which options are exercisable for a period of five years from their date of issuance, at a price of \$4.20 per Ordinary Share, and vest 6.25% at the end of each three month period of continuous services; and (iii) options to purchase an aggregate of 169,588 Ordinary Shares to certain employees and service providers, which options are exercisable for a period of five years from their date of issuance, at a price of \$4.20 per Ordinary Share, and will vest 50% on April 3, 2024 and thereafter 6.25% every three months period of continuous services. Upon the end of term of the service agreement with Mr. Joseph Weiss in December 2022, options to purchase an aggregate of 53,622 Ordinary Shares were forfeited and returned to the pool, and 17,874 were expired and returned to the pool.

On April 3, 2022, we issued options to purchase 31,838 Ordinary Shares to Mr. Nir Bussy, our Chief Financial Officer. The options are exercisable for a period of five years from their date of issuance, at a price of \$4.20 per Ordinary Share, and will vest 50% on April 3, 2024 and 6.25% every three months thereafter.

On December 28, 2022, we issued options to purchase 2,500 Ordinary Shares to Ms. Isabela Marshack, one of our directors. The options are exercisable for a period of five years from their date of issuance, at a price of \$4.20 per Ordinary Share, and will vest 50% on December 28, 2024 and 6.25% every three months thereafter.

On May 15, 2023, the Compensation Committee approved the repricing of the exercise price of the existing options to purchase Ordinary Shares of certain of our officers, directors and service providers, who provided services to us, from \$4.20 to \$1.00 per Ordinary Share, or the Repricing. Other than the exercise price, all other terms of the existing options granted to such officers, directors and service providers did not change. On June 28, 2023, our shareholders approved the Repricing for board members, officers and related party. The Repricing was completed in July 2023.

On January 15, 2024, we granted options to purchase an aggregate of 205,414 Ordinary Shares under our Option Plan to certain employees and officers. The options were granted at an exercise price of \$1.06 per Ordinary Share and will vest according to the following schedule: (i) twenty-four (24) months following the commencement date, an amount equal to half of the options to each optionee will vest; and (ii) following the first installment, additional equal amounts (6.25% each) will vest at the end of each three (3) months. The options expire five (5) years from the date of grant, and such other terms and conditions set forth in our options award letter and the provisions of the Option Plan.

On March 4, 2024, we issued options to purchase Ordinary Shares to members of our board of directors in the following amounts: (1) options to purchase 15,000 Ordinary Shares to Mr. Amitay Weiss, the Chairman of our board of directors; (2) options to purchase 5,000 Ordinary Shares to Ms. Isabela Marshack, Director; (3) options to purchase 7,500 Ordinary Shares to Mr. Joseph Gottlieb, Director; and (4) options to purchase 5,000 Ordinary Shares to Ms. Naama Falach Avrahami. The options were granted at an exercise price of \$1.06 per Ordinary Share and will vest according to the following schedule: (i) twenty-four (24) months following the commencement date, an amount equal to half of the options to each optionee will vest; and (ii) following the first installment, additional equal amounts (6.25% each) will vest at the end of each three (3) months. The options expire five (5) years from the date of grant, and such other terms and conditions set forth in our options award letter and the provisions of the Option Plan.

On March 4, 2024, we granted Mr. Israel Bar, our Chief Executive Officer and a Director, options to purchase 240,000 Ordinary Shares, in accordance with our Compensation Policy and under the Option Plan. The options were granted at an exercise price of \$1.06 per Ordinary Share and will vest according to the following schedule: (i) twenty-four (24) months following the vesting commencement date, an amount equal to half of the options to each optionee will vest; and (ii) following the first installment, additional equal amounts (6.25% each) will vest at the end of each three (3) months. The options expire five (5) years from the date of the grant, and such other terms and conditions set forth in our options award letter and the provisions of the Option Plan.

On July 2, 2024, we granted to an employee options to purchase 10,612 Ordinary Shares under the Option Plan. The options were granted at an exercise price of \$1.50 per Ordinary Share and will vest according to the following schedule: (i) twenty-four (24) months following the vesting commencement date, an amount equal to half of the options to each optionee will vest; and (ii) following the first installment, additional equal amounts (6.25% each) will vest at the end of each three (3) months. The options expire five (5) years from the date of the grant, and such other terms and conditions set forth in our options award letter and the provisions of the Option Plan.

On January 13, 2025, we granted to certain of our employees options to purchase an aggregate of 15,612 Ordinary Shares, in accordance with our Compensation Policy and under the Option Plan. The options were granted at an exercise price of \$3.68 per Ordinary Share and will vest according to the following schedule: (i) twenty-four (24) months following the vesting commencement date, an amount equal to half of the options to each optionee will vest; and (ii) following the first installment, additional equal amounts (6.25% each) will vest at the end of each three (3) months. The options expire five (5) years from the date of the grant, and such other terms and conditions set forth in our options award letter and the provisions of the Option Plan.

On January 13, 2025, we granted options to purchase 10,000 Ordinary Shares to Mr. Nir Ben-Moshe. The options were granted at an exercise price of \$3.68 per Ordinary Share and will vest according to the following schedule: (i) twenty-four (24) months following the vesting commencement date, an amount equal to half of the options to each optionee will vest; and (ii) following the first installment, additional equal amounts (6.25% each) will vest at the end of each three (3) months. The options expire five (5) years from the date of the grant, and such other terms and conditions set forth in our options award letter and the provisions of the Option Plan.

Warrants

On January 15, 2024, we issued warrants to purchase up to 20,000 Ordinary Shares, at an exercise price of \$1.06 per Ordinary Share, to certain of our service providers. The warrants are exercisable until January 14, 2029 (5 years from the date of their issuance). The warrants have the following vesting schedule: (i) 50% vests on the second anniversary of the warrant issuance date; and (ii) 6.25% vests at the end of each quarter of continuous services thereafter, for a total period of two years.

Differences between the Companies Law and Nasdaq Listing Rules

The Sarbanes-Oxley Act, as well as related rules subsequently implemented by the SEC, require foreign private issuers, such as us, to comply with various corporate governance practices. In addition, following the listing of the Ordinary Shares on Nasdaq, we will be required to comply with the Nasdaq Listing Rules. Under those rules, we may elect to follow certain corporate governance practices permitted under the Companies Law in lieu of compliance with corresponding corporate governance requirements otherwise imposed by the Nasdaq Listing Rules for U.S. domestic issuers.

In accordance with Israeli law and practice and subject to the exemption set forth in Rule 5615 of the Nasdaq Listing Rules, we have elected to follow the provisions of the Companies Law, rather than the Nasdaq Listing Rules, with respect to the following requirements:

- *Quorum.* While the Nasdaq Listing Rules require that the quorum for purposes of any meeting of the holders of a listed company's common voting stock, as specified in the company's bylaws, be no less than 33 1/3% of the company's outstanding common voting stock, under Israeli law, a company is entitled to determine in its articles of association the number of shareholders and percentage of holdings required for a quorum at a shareholders meeting. The Companies Law provides that a quorum of two or more shareholders holding at least 25% of the voting rights in person or by proxy is required for commencement of business at a general meeting, and our Articles reflect the same. However, the quorum set forth in our Articles with respect to an adjourned meeting consists of at least one shareholders present in person or by proxy.
- *Nomination of our directors.* Our directors are elected by the general meeting of our shareholders and, unless appointed for a shorter term, serve in office until the third annual general meeting after the general meeting in which such director was appointed, in which such later annual general meeting the directors will be brought for re-election or replacement. The nominations for directors, which are presented to our shareholders by our board of directors, are generally made by the board of directors itself, in accordance with the provisions of our Articles and the Companies Law. Nominations need not be made by a nominating committee of our board of directors consisting solely of independent directors, as required under the Nasdaq Listing Rules.
- *Compensation of officers.* Israeli law and our Articles do not require that the independent members of our board of directors (or a Compensation Committee composed solely of independent members of our board of directors) determine an executive officer's compensation, as is generally required under the Nasdaq Listing Rules with respect to the chief executive officer and all other executive officers. Instead, compensation of executive officers is determined and approved by our Compensation Committee and our board of directors, and in certain circumstances by our shareholders, either in consistency with our officer holder compensation policy or, in special circumstances in deviation therefrom, taking into account certain considerations stated in the Companies Law (see "Management - Board Practices - Approval of Related Party Transactions under Israeli Law" for additional information).

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- *Shareholder approval.* We will seek shareholder approval for all corporate actions requiring such approval under the requirements of the Companies Law, rather than seeking approval for corporation actions in accordance with Nasdaq Listing Rule 5635. In particular, under this Nasdaq listing rule, shareholder approval is generally required for: (i) an acquisition of shares/assets of another company that involves the issuance of 20% or more of the acquirer's shares or voting rights or if a director, officer or 5% shareholder has greater than a 5% interest in the target company or the consideration to be received; (ii) the issuance of shares leading to a change of control; (iii) adoption/amendment of equity compensation arrangements (although under the provisions of the Companies Law there is no requirement for shareholder approval for the adoption/amendment of the equity compensation plan); and (iv) issuances of 20% or more of the shares or voting rights (including securities convertible into, or exercisable for, equity) of a listed company via a private placement (and/or via sales by directors/officers/5% shareholders) if such equity is issued (or sold) at below the greater of the book or market value of shares. By contrast, under the Companies Law, shareholder approval is required for, among other things: (i) transactions with directors concerning the terms of their service or indemnification, exemption and insurance for their service (or for any other position that they may hold at a company), for which approvals of the compensation committee, board of directors and shareholders are all required, (ii) extraordinary transactions with controlling shareholders of publicly held companies, which require the special approval, and (iii) terms of employment or other engagement of the controlling shareholder of us or such controlling shareholder's relative, which require special approval. In addition, under the Companies Law, a merger requires approval of the shareholders of each of the merging companies.
- *Approval of Related Party Transactions.* All related party transactions are approved in accordance with the requirements and procedures for approval of interested party acts and transaction as set forth in the Companies Law, which requires the approval of the audit committee of our board of directors, or the Audit Committee, or the Compensation Committee, as the case may be, the board of directors and shareholders, as may be applicable, for specified transactions, rather than approval by the Audit Committee or other independent body of our board of directors as required under the Nasdaq Listing Rules (see "Management - Board Practices - Approval of Related Party Transactions under Israeli Law" for additional information).
- *Annual Shareholders Meeting.* As opposed to the Nasdaq listing Rule 5620(a), which mandates that a listed company hold its annual shareholders meeting within one year of the company's fiscal year-end, we are required, under the Companies Law, to hold an annual shareholder meeting each calendar year and within 15 months of the last annual shareholders meeting.
- *Distribution of periodic reports to shareholders; proxy solicitation.* As opposed to the Nasdaq Listing Rules, which require listed issuers to make such reports available to shareholders in one of a number of specific manners, Israeli law does not require us to distribute periodic reports directly to shareholders, and the generally accepted business practice in Israel is not to distribute such reports to shareholders but to make such reports available through a public website. In addition to making such reports available on a public website, we currently make our audited financial statements available to our shareholders at our offices and will only mail such reports to shareholders upon request. As a foreign private issuer, we are generally exempt from the SEC's proxy solicitation rules.

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C. Board Practices

Introduction

Our board of directors presently consists of five members. Effective as of March 2, 2023, Amitay Weiss serves as the Chairman of our board of directors. We believe that Amitay Weiss, Isabela Marshak and Naama Falach Avrahamy are "independent" for purposes of the Nasdaq Listing Rules and SEC rules and regulations. Our Articles provide that unless otherwise determined by the general meeting of shareholders, the number of directors serving on the board of directors will be no less than three and no more than twelve, including External Directors (if applicable), which will be elected if and as required under the Companies Law, as may be fixed from time to time by the board of directors. Pursuant to the Companies Law, the management of our business is vested in our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to management. Our executive officers are responsible for our day-to-day management and have individual responsibilities established by our board of directors. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors, subject to the employment agreement that we have entered into with him. All other executive officers are appointed by our Chief Executive Officer. Their terms of employment are subject to the approval of the Compensation Committee and of the board of directors and are subject to the terms of any applicable employment agreements that we may enter into with them and are subject to our compensation policy.

Our Articles provide for a split of the board of directors into three classes with staggered three-year terms (excluding External Directors, if applicable). At each annual

general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election, such that each year the term of office of only one class of directors will expire. The director whom is to be retired and re-elected shall be the director that served the longest period since its appointment or last re-election or, if more than one director served the longest time, or if a director who is not to be re-elected agrees to be re-elected, the meeting of the board of directors which sets the date and agenda for the annual general meeting (acting by a simple majority) will decide which of such directors will be brought for re-election at the relevant general meeting.

Each director, except external directors (if applicable), holds office until the third annual general meeting of our shareholders following his or her appointment (other than in certain cases as described below), or until he or she resigns or unless he or she is removed by a majority of 70% vote of our shareholders' votes at a general meeting of our shareholders or upon the occurrence of certain events, in accordance with the Companies Law and our Articles.

In addition, under certain circumstances, our Articles allow our board of directors to appoint directors to fill vacancies on our board of directors, due to a director no longer serving, or due to the number of directors serving being less than the maximum amount, for the remaining period of time during which the director whose service has ended was filled would have held office (in case the appointment is due to a director no longer serving), or for a period in accordance with the class to which he was appointed (in case the appointment is in addition to the acting directors, subject to the limitation set forward in our Articles on the number of directors). External directors, if applicable, may be elected for up to two additional three-year terms after their initial three-year term certain circumstances, and may be removed from office only under the limited circumstances set forth in the Companies Law.

Under the Companies Law, any shareholder holding at least one percent (1%) of our outstanding voting power may suggest nominating a director in an annual general meeting of the shareholders. However, any such shareholder may make such a suggestion only if a written and timely notice of such shareholder's intent to make such nomination has been given to our board of directors, in accordance with the provisions of our Articles and the Companies Law. Any such notice must include certain information, including the consent of the proposed director nominee to serve as our director if elected, and a declaration that the nominee signed declaring that he or she possesses the requisite skills and has the availability to carry out his or her duties. Additionally, the nominee must provide details of such skills, and demonstrate an absence of any limitation under the Companies Law that may prevent his or her election, and affirm that all of the required election-information is provided to us, pursuant to the Companies Law.

However, under exemptions applicable for Israeli companies whose shares are listed outside of Israel, or the Exemptions Regulations, one or more shareholders may request the company's board of directors to include an appointment of a candidate for a position on the board of directors or the termination of a board member, as an item on the agenda of a future general meeting (if the company sees fit), provided that the shareholder hold at least five percent (5%) of the voting rights of the company, instead of one percent (1%) required in the past.

Under the Companies Law, our board of directors must determine the minimum number of directors who are required to have accounting and financial expertise. In determining the number of directors required to have such expertise, our board of directors must consider, among other things, the type and size of the company and the scope and complexity of its operations. Our board of directors has determined that the minimum number of directors of our company who are required to have accounting and financial expertise is one.

The board of directors must elect one director to serve as the chairman of the board of directors to preside at the meetings of the board of directors, and may also remove that director as chairman. Pursuant to the Companies Law, neither the chief executive officer nor any of his or her relatives is permitted to serve as the chairman of the board of directors, and a company may not vest the chairman or any of his or her relatives with the chief executive officer's authorities. In addition, a person who reports, directly or indirectly, to the chief executive officer may not serve as the chairman of the board of directors; the chairman may not be vested with authorities of a person who reports, directly or indirectly, to the chief executive officer; and the chairman may not serve in any other position in the company or a controlled company, but he or she may serve as a director or chairman of a controlled company. However, the Companies Law permits a company's shareholders to determine, for a period not exceeding three years from each such determination, that the chairman or his or her relative may serve as chief executive officer or be vested with the chief executive officer's authorities, and that the chief executive officer or his or her relative may serve as chairman or be vested with the chairman's authorities. Such determination of a company's shareholders requires either: (1) the approval of at least a majority of the shares of those shareholders present and voting on the matter (other than controlling shareholders and those having a personal interest in the determination) (shares held by abstaining shareholders shall not be considered); or (2) that the total number of shares opposing such determination does not exceed 2% of the total voting power in the company. Currently, we have a separate chairman and chief executive officer.

The board of directors may, subject to the provisions of the Companies Law, delegate any or all of its powers to committees of the board, and it may, from time to time, revoke such delegation or alter the composition of any such committees, subject to certain limitations. Unless otherwise expressly provided by the board of directors, the committees shall not be empowered to further delegate such powers. The composition and duties of our Audit Committee, financial statement examination committee and Compensation Committee are described below.

The board of directors oversees how management monitors compliance with our risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by us. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to our Audit Committee.

External Directors

Under the Companies Law, an Israeli company whose shares have been offered to the public or whose shares are listed for trading on a stock exchange in or outside of Israel is required to appoint at least two external directors, or External Directors, to serve on its board of directors. One of the external directors must have "financial and accounting expertise", as defined under the Companies Law. In addition, External Directors must meet stringent standards of independence. However, we adopted the exemption under the Exemptions Regulations for appointment of external directors, as further specified below.

Under regulations promulgated pursuant to the Companies Law, a company with no controlling shareholder whose shares are listed for trading on specified exchanges outside of Israel, including the Nasdaq Capital Market, may adopt exemptions from various corporate governance requirements of the Companies Law, so long as such company satisfies the requirements of applicable foreign country laws and regulations, including applicable stock exchange rules, that apply to companies organized in that country and relating to the appointment of independent directors and the composition of audit and compensation committees. Such exemptions include an exemption from the requirement to appoint external directors and the requirement that an external director be a member of certain committees, as well as exemption from limitations on directors' compensation. We chose to apply such exemptions.

Independent Directors Under the Companies Law

An "independent director" under the Companies Law is either an external director or a director who meets the same non-affiliation criteria as an external director (except for (i) the requirement that the director be an Israeli resident (which does not apply to companies such as ours whose securities have been offered outside of Israel or are listed outside of Israel) and (ii) the requirement for accounting and financial expertise or professional qualifications), as determined by the audit committee, and who has not served as a director of the company for more than nine consecutive years. For these purposes, ceasing to serve as a director for a period of two years or less would not be deemed to sever the consecutive nature of such director's service.

Regulations promulgated pursuant to the Companies Law provide that a director in a public company whose shares are listed for trading on specified exchanges outside of Israel, including Nasdaq, who qualifies as an independent director under the relevant non-Israeli rules and who meets certain non-affiliation criteria, which are less stringent than those applicable to independent directors as set forth above, would be deemed an "independent" director pursuant to the Companies Law provided: (i) he or she has not served as a director for more than nine consecutive years; (ii) he or she has been approved as such by the audit committee; and (iii) his or her remuneration shall be in accordance with the Companies Law and the regulations promulgated thereunder. For these purposes, ceasing to serve as a director for a period of two years or less would not be deemed to sever the consecutive nature of such director's service.

Furthermore, pursuant to these regulations, such company may reappoint a person as an independent director for additional terms, beyond nine years, which do not exceed three years each, if each of the audit committee and the board of directors determine, in that order, that in light of the independent director's expertise and special contribution to the board of directors and its committees, the reappointment for an additional term is in the company's best interest.

Alternate Directors

Our Articles provide, as allowed by the Companies Law, that any director may, subject to the conditions set thereto including approval of the nominee by our board of directors, appoint a person as an alternate to act in his place, to remove the alternate and appoint another in his place and to appoint an alternate in place of an alternate whose office is vacated for any reason whatsoever. Under the Companies Law, a person who is not qualified to be appointed as a director, a person who is already serving as a director or a person who is already serving as an alternate director for another director, may not be appointed as an alternate director. Nevertheless, a director who is already serving as a director may be appointed as an alternate director for a member of a committee of the board of directors so long as he or she is not already serving as a member of such committee, and if the alternate director is to replace an external director, he or she is required to be an external director and to have either "financial and accounting expertise" or "professional expertise," depending on the qualifications of the external director he or she is replacing. A person who does not have the requisite "financial and accounting experience" or the "professional expertise," depending on the qualifications of the external director he or she is replacing, may not be appointed as an alternate director for an external director. A person who is not qualified to be appointed as an independent director, pursuant to the Companies Law, may not be appointed as an alternate director of an independent director qualified as such under the Companies Law. Unless the appointing director limits the time or scope of the appointment, the appointment is effective for all purposes until the appointing director ceases to be a director or terminates the appointment.

Committees of the Board of Directors

Our board of directors has established two standing statutory committees, the Audit Committee and the Compensation Committee.

Audit Committee

Under the Companies Law, we are required to appoint an audit committee, to which the following will not be able to be appointed: the chairman of the board; any director employed by the company or employed by a controlling shareholder or by a corporation controlled by such controlling shareholder; a director who provides services, regularly, to the company, to a controlling shareholder of the company or to an entity controlled by a controlling shareholder of the company; a director who derives most of his or her income from a controlling shareholder of the company; and a controlling shareholder of the company or a relative of a controlling shareholder. In addition, the audit committee must be comprised of at least three directors, including all of the external directors, if applicable (one of whom must serve as chair of the committee).

Under the Exemptions Regulations, a company with no controlling shareholder whose shares are listed for trading outside of Israel, including the Nasdaq Capital Market, may adopt exemptions from various corporate governance requirements of the Companies Law, so long as such company satisfies the requirements of applicable foreign country laws and regulations, including applicable stock exchange rules, that apply to companies organized in that country and relating to the appointment of independent directors and the composition of audit and compensation committees. Such exemptions include, among others, an exemption from the prohibition to appoint the individuals listed above as members of the audit committee. We elected to adopt such exemptions.

Our Audit Committee is composed of Amitay Weiss, Isabela Marshak and Naama Falach Avrahamy. Naama Falach Avrahamy serves as the chairman of our Audit Committee.

Under the Companies Law, our Audit Committee is responsible for:

- (i) determining whether there are deficiencies in the business management practices of our company, and making recommendations to the board of directors to improve such practices;
- (ii) determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest and whether such transaction is extraordinary or material under Companies Law) and establishing the approval process for certain transactions with a controlling shareholder or in which a controlling shareholder has a personal interest (see "Management - Board Practices - Approval of Related Party Transactions under Israeli law");
- (iii) determining the approval process for transactions that are "non-negligible" (i.e., transactions with a controlling shareholder that are classified by the Audit Committee as non-negligible, even though they are not deemed extraordinary transactions), as well as determining which types of transactions would require the approval of the Audit Committee, optionally based on criteria which may be determined annually in advance by the Audit Committee; (iv)
- (iv) examining our internal controls and internal auditor's performance, including whether the internal auditor has sufficient resources and tools to dispose of its responsibilities;
- (v) examining the scope of our auditor's work and compensation and submitting a recommendation with respect thereto to our board of directors or shareholders, depending on which of them is considering the appointment of our auditor;
- (vi) establishing procedures for the handling of employees' complaints as to deficiencies in the management of our business and the protection to be provided to such employees; and
- (vii) where the board of directors approves the working plan of the internal auditor, examining such working plan before its submission to the board of directors and proposing amendments thereto.

Our Audit Committee may not conduct any discussions or approve any actions requiring its approval (see "Management - Board Practices - Approval of Related Party Transactions under Israeli law"), unless at the time of the approval a majority of the committee's members are present, which majority consists of independent directors under the Companies Law, including at least one external director, as applicable.

Our board of directors adopted our Audit Committee charter setting forth, among others, the responsibilities of the Audit Committee consistent with the rules of the SEC and Nasdaq Listing Rules (in addition to the requirements for such committee under the Companies Law), including, among others, the following:

- oversight of our independent registered public accounting firm and recommending the engagement, compensation or termination of engagement of our independent registered public accounting firm to the board of directors in accordance with Israeli law;
- recommending the engagement or termination of the person filling the office of our internal auditor, reviewing the services provided by our internal auditor and reviewing effectiveness of our system of internal control over financial reporting;
- recommending the terms of audit and non-audit services provided by the independent registered public accounting firm for pre-approval by our board of directors; and
- reviewing and monitoring, if applicable, legal matters with significant impact, finding of regulatory authorities' findings, receive reports regarding irregularities and legal compliance, acting according to "whistleblower policy" and recommend to our board of directors if so required.

Nasdaq Listing Rules for Audit Committee

Under the Nasdaq Listing Rules, we are required to maintain an audit committee consisting of at least three members, all of whom are independent and are financially literate and one of whom has accounting or related financial management expertise.

As noted above, the members of our Audit Committee include Amitay Weiss, Isabela Marshak and Naama Falach Avrahamy, all of whom are "independent directors," as such term is defined under Nasdaq Listing Rules and Rule 10A-3 under the Exchange Act. Until February 28, 2023, Amitay Weiss served as the chairman of our Audit Committee. Effective as of March 1, 2023, Naama Falach Avrahamy serves as the chairman of our Audit Committee. All members of our Audit Committee meet the requirements for financial literacy under the Nasdaq Listing Rules. Our board of directors has determined that all of the members of the Audit Committee are financial experts as such term is defined by the SEC rules and has the requisite financial experience as defined by the Nasdaq Rules.

Under the Companies Law, our Audit Committee also carries out the duties of a financial statement examination committee. As such, the Audit Committee is responsible for: (i) estimations and assessments made in connection with the preparation of financial statements; (ii) internal controls related to the financial statements; (iii) completeness and propriety of the disclosure in the financial statements; (iv) the accounting policies adopted and the accounting treatments implemented in material matters of the company; and (v) value evaluations, including the assumptions and assessments on which evaluations are based and the supporting data in the financial statements. Our independent registered public accounting firm and our internal auditor are invited to attend all meetings of our financial statements examination committee.

Compensation Committee

The board of directors of any public company must establish a compensation committee. Our Compensation Committee, acting pursuant to a written charter, consists of Amitay Weiss, Isabela Marshak and Naama Falach Avrahamy. Naama Falach Avrahamy serves as the chairman of our Compensation Committee.

The compensation committee must be comprised of at least three directors, including all of the external directors (if applicable), who if applicable must constitute a majority of the members of the compensation committee. Each compensation committee member that is not an external director must be a director whose compensation does not exceed an amount that may be paid to an external director. The compensation committee is subject to the same Companies Law restrictions as the audit committee as to: (a) who may not be a member of the committee; and (b) who may not be present during committee deliberations as described above.

However, under the Exemptions Regulations, a company with no controlling shareholder might be exempted from certain obligations mentioned above.

Our Compensation Committee reviews and recommends to our board of directors, with respect to our executive officers and directors: (1) annual base compensation (2) annual incentive bonus, including the specific goals and amounts; (3) equity compensation; (4) employment agreements, severance arrangements, and change in control agreements and provisions; (5) retirement grants and/or retirement bonuses; (6) any other benefits, compensation, compensation policies or arrangements; and (7) actions, if any, under our recoupment policy, or the clawback policy.

The duties of the Compensation Committee include the recommendation to the company's board of directors of a policy regarding the terms of engagement of officers, to which we refer as a compensation policy. Such policy must be adopted by the company's board of directors, after considering the recommendations of the Compensation Committee. The compensation policy is then brought for approval by our shareholders, which requires a special majority (see "Management - Board Practices - Approval of Related Party Transactions under Israeli law"). Under the Companies Law and under certain conditions, the board of directors may adopt the compensation policy if it is not approved by the shareholders, provided that after the shareholders oppose the approval of such policy, the Compensation Committee and the board of directors revisit the matter and determine that adopting the compensation policy would be in the best interests of the company.

The compensation policy must serve as the basis for decisions concerning the financial terms of employment or engagement of executive officers and directors, including exemption, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must relate to certain factors, including advancement of the company's objectives, the company's business and its long-term strategy, and creation of appropriate incentives for executives. It must also consider, among other things, the company's risk management, size and the nature of its operations. The compensation policy must furthermore consider the following additional factors:

- the education, skills, expertise and accomplishments of the relevant director or executive;
- the director's or executive's roles and responsibilities and prior compensation agreements with him or her;
- the relationship between the cost of the terms of service of an office holder and the average median compensation of the other employees of the company (including those employed through manpower companies), including the impact of disparities in salary upon work relationships in the company;
- the possibility of reducing variable compensation at the discretion of the board of directors; and the possibility of setting a limit on the exercise value of non-cash variable compensation; and
- as to severance compensation, the period of service of the director or executive, the terms of his or her compensation during such service period, the company's performance during that period of service, the person's contribution towards the company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the company.

The compensation policy must also include the following principles:

- with the exception of office holders who report directly to the chief executive officer, the link between variable compensation and long-term performance and measurable criteria;

- the relationship between variable and fixed compensation, and the ceiling for the value of variable compensation at the time of its grant;
- the conditions under which a director or executive would be required to repay compensation paid to him or her if it was later shown that the data upon which such compensation was based was inaccurate and was required to be restated in the company's financial statements;

- the minimum holding or vesting period for variable, equity-based compensation; and
- maximum limits for severance compensation. The compensation policy must also consider appropriate incentives from a long-term perspective.

The Compensation Committee is responsible for: (1) recommending the compensation policy to a company's board of directors for its approval (and subsequent approval by the shareholders); and (2) duties related to the compensation policy and to the compensation of a company's office holders, including:

- recommending whether a compensation policy should continue in effect, if the then-current policy has a term of greater than three years (approval of either a new compensation policy or the continuation of an existing compensation policy must in any case occur every three years);
- recommending to the board of directors periodic updates to the compensation policy;
- assessing implementation of the compensation policy;
- determining whether the terms of compensation of certain office holders of the company need not be brought to approval of the shareholders; and
- determining whether to approve the terms of compensation of office holders that require the committee's approval.

On June 21, 2022, our shareholders approved our compensation policy for a term of five years. Our compensation policy designed to promote our long-term goals, work plan and policy, retain, motivate and incentivize our directors and executive officers, while considering the risks that our activities involve, our size, the nature and scope of our activities and the contribution of an officer to the achievement of our goals and maximization of profits, and align the interests of our directors and executive officers with our long-term performance. To that end, a portion of an executive officer compensation package is targeted to reflect our short and long-term goals, as well as the executive officer's individual performance. On the other hand, our compensation policy includes measures designed to reduce the executive officer's incentives to take excessive risks that may harm us in the long-term, such as limits on the value of cash bonuses and equity-based compensation, limitations on the ratio between the variable and the total compensation of an executive officer and minimum vesting periods for equity-based compensation.

Our compensation policy also addresses our executive officer's individual characteristics (such as his or her respective position, education, scope of responsibilities and contribution to the attainment of our goals) as the basis for compensation variation among our executive officers and considers the internal ratios between compensation of our executive officers and directors and other employees. Pursuant to our compensation policy, the compensation that may be granted to an executive officer may include base salary, annual bonuses, equity-based compensation, benefits and retirement and termination of service arrangements. All cash bonuses are limited to a maximum amount linked to the executive officer's base salary. In addition, our compensation policy provides for maximum permitted ratios between the total variable (cash bonuses and equity-based compensation) and non-variable (base salary) compensation components, in accordance with an officer's respective position with the company.

An annual cash bonus may be awarded to executive officers upon the attainment of pre-set periodic objectives and individual targets. The annual cash bonus that may be granted to executive officers other than our chairman or Chief Executive Officer may be based entirely on a discretionary evaluation. Our Chief Executive Officer will be entitled to recommend performance objectives to such executive officers, and such performance objectives will be approved by our Compensation Committee (and, if required by law, by our board of directors).

The performance measurable objectives of our chairman and Chief Executive Officer will be determined annually by our Compensation Committee and board of directors. A less significant portion of the chairman's and/or the Chief Executive Officer's annual cash bonus may be based on a discretionary evaluation of the chairman's or the Chief Executive Officer's respective overall performance by the Compensation Committee and the board of directors based on quantitative and qualitative criteria.

The equity-based compensation under our compensation policy for our executive officers (including members of our board of directors) is designed in a manner consistent with the underlying objectives in determining the base salary and the annual cash bonus, with its main objectives being to enhance the alignment between the executive officers' interests with our long-term interests and those of our shareholders and to strengthen the retention and the motivation of executive officers in the long term. Our compensation policy provides for executive officer compensation in the form of share options or other equity-based awards, such as restricted shares and phantom options, in accordance with our share incentive plan then in place. Share options granted to executive officers shall be subject to vesting periods in order to promote long-term retention of the awarded executive officers. The equity-based compensation shall be granted from time to time and be individually determined and awarded according to the performance, educational background, prior business experience, qualifications, role and the personal responsibilities of the executive officer.

In addition, our compensation policy, as well as our clawback policy which was adopted on August 11, 2023, contain compensation recovery provisions which allow us under certain conditions to recover bonuses paid in excess, enables our Chief Executive Officer to approve an immaterial change in the terms of employment of an executive officer (provided that the changes of the terms of employment are in accordance our compensation policy) and allow us to exempt, indemnify and insure our executive officers and directors subject to certain limitations set forth thereto.

Our compensation policy also provides for compensation to the members of our board of directors in accordance with the amounts determined in our compensation policy.

Internal Auditor

Under the Companies Law, the board of directors of an Israeli public company must appoint an internal auditor nominated by the audit committee. The role of the internal auditor is to examine, among other things, whether a company's actions comply with the law and proper business procedure. The audit committee is required to oversee the activities, and to assess the performance of the internal auditor as well as to review the internal auditor's work plan. An internal auditor may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of the company's independent accounting firm or its representative. The Companies Law defines an interested party as a holder of 5% or more of the outstanding shares or voting rights of a company, any person or entity that has the right to appoint at least one director or the general manager of the company or any person who serves as a director or as the general manager of a company.

On February 21, 2022, our board of directors appointed Doron Rozenblum as our internal auditor. Our internal auditor is not an employee of the Company.

Remuneration of Directors

Under the Companies Law, remuneration of directors is subject to the approval of the compensation committee, thereafter by the board of directors and thereafter, unless exempted under the regulations promulgated under the Companies Law, by the general meeting of the shareholders. Where the director is also a controlling shareholder, the requirements for approval of transactions with controlling shareholders apply.

Fiduciary Duties of Office Holders

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company.

The duty of care requires an office holder to act with the level of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care of an office holder includes a duty to use reasonable means to obtain:

- information on the advisability of a given action brought for his approval or performed by him by virtue of his position; and
- all other important information pertaining to these actions.

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The duty of loyalty of an office holder requires an office holder to act in good faith and for the benefit of the company, and includes a duty to:

- refrain from any conflict of interest between the performance of his duties in the company and his performance of his other duties or personal affairs;
- refrain from any action that is competitive with the company's business;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder has received due to his position as an office holder.

Insurance

Under the Companies Law, a company may obtain insurance for any of its office holders against the following liabilities incurred due to acts he or she performed as an office holder, if and to the extent provided for in the company's articles of association:

- breach of his or her duty of care to the company or to another person, to the extent such a breach arises out of the negligent conduct of the office holder;
- a breach of his or her duty of loyalty to the company, provided that the office holder acted in good faith and had reasonable cause to assume that his or her act would not prejudice the company's interests; and
- a financial liability imposed upon him or her in favor of another person.

We currently have directors' and officers' liability insurance, providing total coverage of \$7.5 million for the benefit of all of our directors and officers, in respect of which we paid a seventeen-month premium of approximately \$390,000, which expires on October 13, 2025.

Indemnification

The Companies Law, and the Israeli Securities Law, 5728-1968, or the Securities Law provide that a company may indemnify an office holder against the following liabilities and expenses incurred for acts performed by him or her as an office holder, either pursuant to an undertaking made in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification:

- a financial liability imposed on him or her in favor of another person by any judgment concerning an act performed in his or her capacity as an office holder, including a settlement or arbitrator's award approved by a court;
- reasonable litigation expenses, including attorneys' fees, expended by the office holder (a) as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (1) no indictment (as defined in the Companies Law) was filed against such office holder as a result of such investigation or proceeding; and (2) no financial liability as a substitute for the criminal proceeding (as defined in the Companies Law) was imposed upon him or her as a result of such investigation or proceeding, or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; or (b) in connection with a monetary sanction;

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- reasonable litigation expenses, including attorneys' fees, expended by the office holder or imposed on him or her by a court: (1) in proceedings that the company institutes, or that another person institutes on the company's behalf, against him or her; (2) in a criminal proceeding of which he or she was acquitted; or (3) as a result of a conviction for a crime that does not require proof of criminal intent; and
- expenses incurred by an office holder in connection with an Administrative Procedure under the Securities Law, including reasonable litigation expenses and reasonable attorneys' fees. An "Administrative Procedure" is defined as a procedure pursuant to chapters H3 (Monetary Sanction by the Israeli Securities Authority), H4 (Administrative Enforcement Procedures of the Administrative Enforcement Committee) or H1 (Arrangement to prevent Procedures or Interruption of procedures subject to conditions) to the Securities Law.

The Companies Law also permits a company to undertake in advance to indemnify an office holder, provided that if such indemnification relates to financial liability imposed on him or her, as described above, then the undertaking should be limited and shall detail the following foreseen events and amount or criterion:

- to events that in the opinion of the board of directors can be foreseen based on the company's activities at the time that the undertaking to indemnify is made; and
- in amount or criterion determined by the board of directors, at the time of the giving of such undertaking to indemnify, to be reasonable under the circumstances.

We have entered into our standard form of indemnification agreement, the form of which is filed as an exhibit to this Annual Report, with each of our directors and members of our senior management. Each such indemnification agreement provides the indemnified person with indemnification to the maximum extent permitted under applicable law and up to a certain amount, and to the extent that these liabilities are not covered by directors and officers insurance or other indemnification agreement.

Exemption

Under the Companies Law, an Israeli company may not exempt an office holder from liability for a breach of his or her duty of loyalty, but may exempt in advance an office holder from his or her liability to the company, in whole or in part, for damages caused to the company as a result of a breach of his or her duty of care (other than in relation to distributions), but only if a provision authorizing such exemption is included in its articles of association. Our Articles provide that we may exempt, in whole or in part, any office holder from liability to us for damages caused to the company as a result of a breach of his or her duty of care, but prohibit an exemption from liability arising from a company's transaction in which our controlling shareholder or officer has a personal interest. Subject to the aforesaid limitations, and to other limitations detailed in the indemnification agreement, we exempt and release our office holders from any and all liability to us related to any breach by them of their duty of care to us to the fullest extent permitted by law.

Limitations

The Companies Law provides that we may not exempt or indemnify an office holder nor enter into an insurance contract that would provide coverage for any liability incurred as a result of any of the following: (1) a breach by the office holder of his or her duty of loyalty unless (in the case of indemnity or insurance only, but not exemption) the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice us; (2) a breach by the office holder of his or her duty of care if the breach was carried out intentionally or recklessly (as opposed to merely negligently); (3) any act or omission committed with the intent to derive an illegal personal benefit; or (4) any fine, monetary sanction, penalty or forfeit levied against the office holder.

Under the Companies Law, exemption, indemnification and insurance of office holders in a public company must be approved by the compensation committee and the board of directors (and, with respect to directors and the chief executive officer, by the shareholders). However, under regulations promulgated under the Companies Law, the insurance of office holders shall not require shareholder approval and may be approved by only the compensation committee, if the engagement terms are determined in accordance with the company's compensation policy that was approved by the shareholders by the same special majority required to approve a compensation policy, provided that the insurance policy is on market terms and the insurance policy is not likely to materially impact the company's profitability, assets or obligations. In addition, under regulations promulgated under the Companies Law, with respect to the insurance of office holders of a company in which there is a controlling shareholder who is also an office holder, a board approval is also required, subject to meeting the aforesaid conditions.

Our Articles permit us to exempt (subject to the aforesaid limitation), indemnify and ensure our office holders to the fullest extent permitted or to be permitted by the Companies Law.

The foregoing descriptions summarize the material aspects and practices of our board of directors. For additional details, we also refer you to the full text of the Companies Law, as well as our Articles, which is filed as exhibit to this Annual Report, and are incorporated herein by reference.

There are no service contracts between us, on the one hand, and our directors in their capacity as directors, on the other hand, providing for benefits upon termination of service.

Approval of Related Party Transactions under Israeli Law

General

Under the Companies Law, we may approve an action by an office holder from which the office holder would otherwise have to refrain, as described above, if:

- the office holder acts in good faith and the act or its approval does not cause harm to the company; and
- the office holder disclosed the nature of his or her interest in the transaction (including any significant fact or document) to the company at a reasonable time before the company's approval of such matter.

Disclosure of Personal Interests of an Office Holder

The Companies Law requires that an office holder disclose to the company, promptly, and, in any event, not later than the board meeting at which the transaction is first discussed, any direct or indirect personal interest that he or she may have and all related material information known to him or her relating to any existing or proposed transaction by the company. If the transaction is an extraordinary transaction, the office holder must also disclose any personal interest held by:

- the office holder's relatives; or
- any corporation in which the office holder or his or her relatives holds 5% or more of the shares or voting rights, serves as a director or general manager or has the right to appoint at least one director or the general manager; or
- not in the ordinary course of business.

An office holder is not, however, obliged to disclose a personal interest if it derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction. Under the Companies Law, an extraordinary transaction is a transaction:

- not on market terms; or
- that is likely to have a material effect on the company's profitability, assets or liabilities.

The Companies Law does not specify to whom within us nor the manner in which required disclosures are to be made. We require our office holders to make such disclosures to our board of directors.

Under the Companies Law, once an office holder complies with the above disclosure requirement, the board of directors may approve a transaction between the company and an office holder, or a third party in which an office holder has a personal interest, unless the articles of association provide otherwise and provided that the transaction is in the company's interest. If the transaction is an extraordinary transaction in which an office holder has a personal interest, first the audit committee and then the board of directors, in that order, must approve the transaction. Under specific circumstances, shareholder approval may also be required. Generally, a person who has a personal interest in a matter which is considered at a meeting of the board of directors or the audit committee may not be present at such a meeting unless the chairman of the audit committee or board of directors (as applicable) determines that he or she should be present in order to present the transaction that is subject to approval. A director who has a personal interest in a transaction, which is considered at a meeting of the board of directors or the audit committee, may not be present at this meeting or vote on this matter, unless a majority of members of the board of directors or the audit committee, as the case may be, has a personal interest. If a majority of the board of directors has a personal interest, then shareholder

approval is generally also required.

Disclosure of Personal Interests of a Controlling Shareholder

Under the Companies Law, the disclosure requirements that apply to an office holder also apply to a controlling shareholder of a public company. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest, as well as transactions for the provision of services whether directly or indirectly by a controlling shareholder or his or her relative, or a company such controlling shareholder controls, and transactions concerning the terms of engagement and compensation of a controlling shareholder or a controlling shareholder's relative, whether as an office holder or an employee, require the approval of the audit committee or the compensation committee, as the case may be, the board of directors and a majority of the shares voted by the shareholders of the company participating and voting on the matter in a shareholders' meeting. In addition, the shareholder approval must fulfill one of the following requirements:

- at least a majority of the shares held by shareholders who have no personal interest in the transaction and are voting at the meeting must be voted in favor of approving the transaction, excluding abstentions; or
- the shares voted by shareholders who have no personal interest in the transaction who vote against the transaction represent no more than 2% of the voting rights in the company.

In addition, any extraordinary transaction with a controlling shareholder or in which a controlling shareholder has a personal interest with a term of more than three years requires the abovementioned approval every three years; however, such transactions not involving the receipt of services or compensation can be approved for a longer term, provided that the audit committee determines that such longer term is reasonable under the circumstances.

The Companies Law requires that every shareholder that participates, in person, by proxy or by voting instrument, in a vote regarding a transaction with a controlling shareholder, must indicate in advance or in the ballot whether or not that shareholder has a personal interest in the vote in question. Failure to so indicate will result in the invalidation of that shareholder's vote.

The term "controlling shareholder" is defined in the Companies Law as a shareholder with the ability to direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to be a controlling shareholder if the shareholder holds 50% or more of the voting rights in a company or has the right to appoint 50% or more of the directors of the company or its general manager. In the context of a transaction involving a shareholder of the company, a controlling shareholder also includes a shareholder who holds 25% or more of the voting rights in the company if no other shareholder holds more than 50% of the voting rights in the company. For this purpose, the holdings of all shareholders who have a personal interest in the same transaction will be aggregated.

Approval of the Compensation of Directors and Executive Officers

The compensation of, or an undertaking to indemnify, insure or exempt, an office holder who is not the chief executive officer or a director requires the approval of the company's compensation committee, followed by the approval of the company's board of directors, and, if such compensation arrangement or an undertaking to indemnify, insure or exempt is inconsistent with the company's stated compensation policy, or if the said office holder is the chief executive officer of the company (subject to a number of specific exceptions), then such arrangement is subject to the approval of our shareholders, subject to a special majority requirement.

Directors. Under the Companies Law, the compensation of our directors requires the approval of our Compensation Committee, the subsequent approval of the board of directors and, unless exempted under the regulations promulgated under the Companies Law, the approval of the general meeting of our shareholders. If the compensation of our directors is inconsistent with our stated compensation policy, then, provided that those provisions that must be included in the compensation policy according to the Companies Law have been considered by the compensation committee and board of directors, shareholder approval by a special majority will be required.

Executive officers other than the chief executive officer. The Companies Law requires the approval of the compensation of a public company's executive officers (other than the chief executive officer) in the following order: (i) the compensation committee, (ii) the company's board of directors, and (iii) only if such compensation arrangement is inconsistent with the company's stated compensation policy, the company's shareholders by a special majority. However, if the shareholders of the company do not approve a compensation arrangement with an executive officer that is inconsistent with the company's stated compensation policy, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors reconvene and provide detailed reasons for their decision (including a discussion regarding the shareholders' decision).

Chief executive officer. Under the Companies Law, the compensation of a public company's chief executive officer is required to be approved by: (i) the company's compensation committee; (ii) the company's board of directors, and (iii) the company's shareholders by a special majority. However, if the shareholders of the company do not approve the compensation arrangement with the chief executive officer, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provides detailed reasons for their decision. In addition, the compensation committee may exempt the engagement terms of a candidate to serve as the chief executive officer from shareholders' approval, if the compensation committee determines that the compensation arrangement is consistent with the company's stated compensation policy, that the chief executive officer did not have a prior business relationship with the company or a controlling shareholder of the company, and that subjecting the approval to a shareholder vote would impede the company's ability to attain the candidate to serve as the company's chief executive officer (and provide detailed reasons for the latter).

The approval of each of the compensation committee and the board of directors, with regard to the office holders and directors above, must be in accordance with the company's stated compensation policy; however, under special circumstances, the compensation committee and the board of directors may approve compensation terms of a chief executive officer that are inconsistent with the company's compensation policy provided that they have considered those provisions that must be included in the compensation policy according to the Companies Law and that shareholder approval was obtained by a special majority requirement.

Duties of Shareholders

Under the Companies Law, a shareholder has a duty to refrain from abusing his power in the company and to act in good faith and in an acceptable manner in exercising his rights and performing his obligations toward the company and other shareholders, including, among other things, in voting at general meetings of shareholders (and at shareholder class meetings) on the following matters:

- amendment of the articles of association;
- increase in the company's authorized share capital;
- merger; and
- the approval of related party transactions and acts of office holders that require shareholder approval.

A shareholder also has a general duty to refrain from oppressing other shareholders. The remedies generally available upon a breach of contract will also apply to a

breach of the above-mentioned duties, and in the event of oppression of other shareholders, additional remedies are available to the injured shareholder.

In addition, any controlling shareholder, any shareholder that knows that its vote can determine the outcome of a shareholder vote and any shareholder that, under a company's articles of association, has the power to appoint or prevent the appointment of an office holder, or has another power with respect to a company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

D. Employees

As of December 31, 2022, we had 11 full-time employees and one part time employee. Additionally, we had three regular service providers and independent contractors.

As of December 31, 2023, we had 12 full-time employees, one part time employee, and two regular service providers and independent contractors.

As of December 31, 2024, we had 14 full-time employees, one part time employee, and two regular service providers and independent contractors.

None of our employees are members of a union or subject to the terms of a collective bargaining agreement. However, in Israel, we are subject to certain Israeli Labor laws, regulations and national labor court precedent rulings, as well as certain provisions of collective bargaining agreements applicable to us by virtue of extension orders issued in accordance with relevant labor laws by the Israeli Industry and Economy Office, and which apply such agreement provisions to our employees even though they are not part of a union that has signed a collective bargaining agreement.

All of our employment and consulting agreements include the employee's and consultant's undertaking with respect to non-competition and assignment to us of intellectual property rights developed in the course of employment and confidentiality. The enforceability of such provisions is limited by Israeli law.

E. Share Ownership

See "Item 7.A. Major Shareholders" below.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation.

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information regarding beneficial ownership of our Ordinary Shares as of March 28, 2025 by:

- each person, or group of affiliated persons, known to us to be the beneficial owner of more than 5% of our outstanding Ordinary Shares;
- each of our directors and senior management; and
- all of our directors and senior management as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to Ordinary Shares. Ordinary Shares issuable pursuant to outstanding options or warrants to purchase Ordinary Shares that are exercisable, or securities that are convertible into Ordinary Shares, within 60 days after March 28, 2025, are deemed outstanding for the purpose of computing the percentage ownership of the person holding the options, warrants or convertible securities, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Percentage of shares beneficially owned is based on 7,983,565 Ordinary Shares outstanding on March 28, 2025.

We are not controlled by another corporation, by any foreign government or by any natural or legal persons except as set forth herein, and there are no arrangements known to us which would result in a change in control of our company at a subsequent date. Except as indicated in footnotes to this table, we believe that the shareholders named in this table have sole voting and investment power with respect to all shares shown to be beneficially owned by them, based on information provided to us by such shareholders. Unless otherwise noted below, each beneficial owner's address is c/o Maris-Tech Ltd., 2 Yitzhak Modai Street, Rehovot, Israel 7608804.

	No. of Shares Beneficially Owned	Percentage Owned
Holders of 5% or more of our voting securities:		
Joseph Gottlieb ⁽¹⁾	950,025	11.8%
Israel Bar	2,483,425	31.1%
Per A. Jacobsen ⁽²⁾	675,000	8.0%
Leviticus Partners LP ⁽³⁾	692,520	8.7%
Directors and senior management who are not 5% holders:		
Nir Bussy ⁽⁴⁾	23,878	*0%
Magenya Roshanski ⁽⁵⁾	25,868	*0%
Carmela Bastiker ⁽⁶⁾	25,868	*0%
David Raviv ⁽⁷⁾	25,868	*0%
Isabela Marshak ⁽⁸⁾	1,406	*0%
Naama Falach Avrahamy ⁽⁹⁾	2,031	*0%
Amitay Weiss ⁽¹⁰⁾	8,125	*0%
All directors and senior management as a group (9 persons)	3,546,494	44.3%

* Indicates less than 1%.

- (1) Based on a Schedule 13D/A filed by Mr. Gottlieb with the SEC on March 13, 2025, and consists of (i) 878,625 Ordinary Shares held directly by Mr. Gottlieb and (ii) 71,400 Ordinary Shares issuable upon the exercise of warrants held directly by Mr. Gottlieb exercisable within 60 days of March 28, 2025, excluding 7,500 Ordinary Shares issuable upon the exercise of options to purchase Ordinary Shares, at an exercise price of \$1.06 per Ordinary Share, issued to Mr. Gottlieb on March 4, 2024. Mr. Gottlieb holds sole voting and dispositive power over the 950,025 Ordinary Shares. Mr. Gottlieb's address is 2 Yitzhak Modai Street, Rehovot, 7608804, Israel.
- (2) Based on a Schedule 13G/A filed by Mr. Jacobsen with the SEC on February 14, 2025, and consists of (i) 225,000 Ordinary Shares held directly by Mr. Jacobsen and (ii) 450,000 Ordinary Shares issuable upon the exercise of warrants held directly by Mr. Jacobsen exercisable within 60 days of March 28, 2025. Mr. Jacobsen holds sole voting and dispositive power over the 675,000 Ordinary Shares. Mr. Jacobsen's address is P.O. Box 444, Ashton, Maryland, 20861-0444.
- (3) Based on a Schedule 13G filed jointly by Leviticus Partners LP and AMH Equity LLC, each an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) under the Exchange Act, on January 21, 2025, and consists of: (i) 671,343 Ordinary Shares held directly by Leviticus Partners LP and (ii) 21,177 Ordinary Shares held directly by AMH Equity LLC. Leviticus Partners LP and AMH Equity LLC and Mr. Adam M. Hutt, as the managing member of those entities, share voting and dispositive power over the 692,520 Ordinary Shares. Mr. Adam M. Hutt, Leviticus Partners LP and AMH Equity LLC's address is 32 Old Mill Road, Great Neck, NY 11023.
- (4) Includes Ordinary Shares issuable upon the exercise of Options to purchase up to 23,878 Ordinary Shares within 60 days of March 28, 2025.
- (5) Includes Ordinary Shares issuable upon the exercise of Options to purchase up to 25,868 Ordinary Shares within 60 days of March 28, 2025.
- (6) Includes Ordinary Shares issuable upon the exercise of Options to purchase up to 25,868 Ordinary Shares within 60 days of March 28, 2025.
- (7) Includes Ordinary Shares issuable upon the exercise of Options to purchase up to 25,868 Ordinary Shares within 60 days of March 28, 2025.

- (8) Includes Ordinary Shares issuable upon the exercise of Options to purchase up to 1,406 Ordinary Shares within 60 days of March 28, 2025.
- (9) Includes Ordinary Shares issuable upon the exercise of Options to purchase up to 2,031 Ordinary Shares within 60 days of March 28, 2025.
- (10) Includes Ordinary Shares issuable upon the exercise of Options to purchase up to 8,125 Ordinary Shares within 60 days of March 28, 2025.

Changes in Percentage Ownership by Major Shareholders

In February 2022, Joseph Gottlieb purchased 71,400 Units in the IPO for an aggregate purchase price of \$299,880. Following that, Mr. Gottlieb held approximately 8.61% of our issued and outstanding share capital. In May 2022, Mr. Gottlieb purchased an additional 112,900 Ordinary Shares in open market transactions. Following that, Mr. Gottlieb held approximately 10.86% of our issued and outstanding share capital.

During 2023, Mr. Gottlieb purchased 74,250 Ordinary Shares in open market transactions. Following that, Mr. Gottlieb held approximately 11.71% of our issued and outstanding share capital.

During 2024, Mr. Gottlieb purchased 18,500 Ordinary Shares in open market transactions. Following that, Mr. Gottlieb held approximately 11.8% of our issued and outstanding share capital.

Based on a Schedule 13G/A filed by Mr. Jacobsen with the SEC on February 14, 2025, as of December 19, 2024, Mr. Jacobsen held approximately 6.9% of our issued and outstanding share capital. Based on a Schedule 13G/A filed by Mr. Jacobsen with the SEC on February 14, 2025, as of February 14, 2025, Mr. Jacobsen held approximately 8.6% of our issued and outstanding share capital.

Based on a Schedule 13G filed jointly by Leviticus Partners LP and AMH Equity LLC on January 21, 2025, as of January 21, 2025, Leviticus Partners LP and AMH Equity LLC, each an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) under the Exchange Act, held approximately 8.8% of our issued and outstanding share capital.

Record Holders

Based on a review of information provided to us by our transfer agent, as of March 28, 2025, there were three shareholders of record of our Ordinary Shares, of which two were located in Israel and one was located in the United States.

We are not controlled by another corporation, by any foreign government or by any natural or legal persons except as set forth herein, and there are no arrangements known to us which would result in a change in control at a subsequent date.

B. Related Party Transactions

Employment Agreements

We have entered into written employment agreements with each of our executive officers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law. We have also entered into written service agreements with each of our director nominees. We entered into our standard form of indemnification agreement, the form of which is filed as an exhibit to this Annual Report, with each of our directors and members of our senior management. Each such indemnification agreement provides the indemnified person with indemnification to the maximum extent permitted under applicable law and up to a certain amount, and to the extent that these liabilities are not covered by directors and officers insurance or other indemnification agreement. Members of our senior management are eligible for bonuses each year. The bonuses are payable upon meeting objectives and targets that are set by our Chief Executive Officer and approved annually by our board of directors that also set the bonus targets for our Chief Executive Officer (see Item 6.A. Directors and Senior Management - Employment or Service Agreements with Executive Officers).

Equity Grants

For a description of the equity grants to our employees, officers, directors, consultants and service providers see "Item 6.B Compensation - Share Option Plan" above.

Director and Officer Loans

Since our inception, Israel Bar, our Chief Executive Officer, a director and our largest shareholder, and Joseph Gottlieb, our other director and second largest shareholder, have provided loans to us in an aggregate amount of NIS 7,513,887 (approximately \$2,282,364). As of December 31, 2024 and 2023, the outstanding balance under the Shareholders Loan was \$589,467 and \$1,088,250, respectively.

On May 9, 2021, we entered into the Loan Facility Agreement effective as of January 1, 2021, with Israel Bar, our Chief Executive Officer, director and our largest shareholder, and Joseph Gottlieb, another director and our second largest shareholder.

On March 2, 2023, we entered into the Amendment to the Loan Facility Agreement, pursuant to which we (i) amended the repayment terms set in the Loan Facility Agreement to provide that the amounts outstanding under the Loan Facility Agreement shall be due and payable in 24 equal monthly payments, commencing on February 4, 2024, subject to the availability of available free cash (as defined in the Amendment), and (ii) clarified that the total amount due to Mr. Gottlieb under the Loan Facility Agreement is NIS 1,020,347 (approximately \$317,371). The total outstanding amount under the Loan Facility Agreement after giving effect to the Amendment was NIS 3,480,306 (approximately \$1,088,250). As of March 28, 2025, we have repaid NIS 1,639,980 (approximately \$449,672) under the Loan Facility Agreement to Mr. Bar, and we have repaid NIS 675,179 (approximately \$185,133) under the Loan Facility Agreement to Mr. Bar. As of March 28, 2025, NIS 1,171,414 (approximately \$321,199) and NIS 482,271 (approximately \$132,238) remain outstanding, to Mr. Bar and Mr. Gottlieb, respectively.

Transaction with Parazero Technologies Ltd.

On July 31, 2023, we entered into a service agreement, or the Service Agreement, with Parazero Technologies Ltd., or Parazero, pursuant to which we will provide to Parazero certain business development services. Pursuant to the terms of the Service Agreement, in consideration for the services provided by us, Parazero required to pay us \$10,000 per month plus value added tax and certain commissions, in accordance with the terms of the agreement. The Service Agreement was terminated by Parazero on December 31, 2024, pursuant to its terms. The total amount due by Parazero to us as of December 31, 2024 amounted to \$47,000.

In addition, in July 2023, we purchased 50,000 ordinary shares of Parazero, at a price of \$4.00 per ordinary share, for an aggregate purchase price of \$200,000, in Parazero's initial public offering. We subsequently sold the ordinary shares we purchased in the open market for an aggregate consideration of \$108,857. As of March 28, 2025, we did not hold any shares of Parazero. We recorded \$91,143 financial expenses for the year ended December 31, 2023, from the remeasurement of the purchase. Mr. Amitay Weiss, our Chairman, also serves as the chairman of the board of directors of Parazero.

Transactions with Colint Ltd.

We have occasionally purchased, at market prices, electronic components from Colint Ltd., a company owned by Joseph Gottlieb, our director and one of our major shareholders. During 2024, 2023, and 2022, we purchased electronic components in an aggregate amount of approximately \$0, \$29,110, and \$0, respectively.

Transactions with Innovative Inc.

On November 24, 2024, our Audit Committee and board of directors approved the purchase of 30 radio-frequency transmitters from Innovative Inc., a company owned by Mr. Gottlieb, our director and one of our major shareholders, for \$10,512. The Audit Committee and our board of directors further approved the engagement of Innovative Inc. pursuant to which we will make additional purchases of production materials from Innovative Inc., on market terms, during a twelve-month period beginning in January 2025, and up to a maximum amount of \$100,000. During the year ended December 31, 2024, we paid Innovative Inc. an aggregate of \$10,512.

Transactions with Mr. Elad Kashi – Third Service Provider

On March 3, 2021, we entered into a service agreement with Mr. Elad Kashi, a relative of Mr. Israel Bar, our Chief Executive Officer and a director, pursuant to which Mr. Kashi provides us with mechanical design services in exchange for an hourly compensation fee of NIS 195 (approximately \$54). In February 2022, the hourly rate under the agreement increased to NIS 350 (approximately \$97). The amended terms of the service agreement were approved by the Audit Committee and our board of directors on March 14, 2024 and March 20, 2024, respectively, and were ratified by our shareholders at the 2024 annual general meeting of shareholders held on May 15, 2024. During the years ended December 31, 2024, 2023 and 2022, we paid Mr. Kashi \$124,857, \$191,170 and \$121,721, respectively.

C. Interests of Experts and Counsel

None.

ITEM 8. FINANCIAL INFORMATION.

A. Consolidated Statements and Other Financial Information

See "Item 18. Financial Statements."

Legal Proceedings

From time to time, we may become involved in legal proceedings that arise in the ordinary course of business. During the period covered by the financial statements contained herein, we were not subject to any material legal proceedings that has had a material adverse effect on our financial position. No assurance can be given that future litigation will not have a material adverse effect on our financial position. When appropriate in management's estimation, we may record reserves in our financial statements for pending litigation and other claims.

Dividends

We have never declared or paid any cash dividends on our Ordinary Shares and do not anticipate paying any cash dividends in the foreseeable future. Payment of cash dividends, if any, in the future will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Under the Companies Law, we may declare and pay dividends only if, upon the determination of our board of directors, there is no reasonable concern that the distribution will prevent us from being able to meet the terms of our existing and foreseeable obligations as they become due. Under the Companies Law, the distribution amount is further limited to the greater of retained earnings or earnings generated over the two most recent years legally available for distribution according to our then last reviewed or audited financial statements, provided that the end of the period to which the financial statements relate is not more than six months prior to the date of distribution. In the event that we do not meet such earnings criteria, we may seek the approval of the court in order to distribute a dividend. The court may approve our request if it is convinced that there is no reasonable concern that the payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

Under the Exemptions Regulations, however, an Israeli company whose shares are listed outside Israel is permitted to execute distributions through repurchasing its own shares, even if earnings criteria are not met, without the need for a court's approval. This exemption is subject to certain conditions, including, among others: (i) the distribution meets the solvency criteria; and (ii) there had not been any objection filed by any of the company's creditors to the relevant court. If any creditor objects to such distribution, the

company will be required to obtain the court's approval for such distribution

Payment of dividends may be subject to Israeli withholding taxes (see the Prospectus filed February 1, 2022, under "Taxation - Israeli Tax Considerations and Government Programs" for additional information).

B. Significant Changes

Except as described in this Annual Report, there have been no significant changes in our operations since the date of our financial statements included in this Annual Report.

ITEM 9. THE OFFER AND LISTING.

A. Offer and Listing Details

The Ordinary Shares and Warrants were approved for listing on the Nasdaq Capital Market and commenced trading under the symbol "MTEK" and "MTEKW", respectively, on February 2, 2022.

B. Plan of Distribution

Not applicable.

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C. Markets

See "A. Offer and Listing Details."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

A copy of our Articles is attached as Exhibit 1.1 to this Annual Report. The information called for by this Item is set forth in Exhibit 1.1 to this Annual Report and is incorporated by reference into this Annual Report.

C. Material Contracts

For a description of each material contract, other than material contracts entered into in the ordinary course of business, to which we are or have been a party, for the two years immediately preceding the date of this Annual Report, see "Item 4.A. History and Development of the Company" above, "Item 4.B. Business Overview" above, "Item 6.C Board Practices - Indemnification," "Item 6.B Compensation - Share Option Plan," "Item 7.A. Major Shareholders," or "Item 7.B. Related Party Transactions," above.

Exchange Controls

There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our Ordinary Shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions. However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The ownership or voting of our Ordinary Shares by non-residents of Israel, except with respect to citizens of countries that are in a state of war with Israel, is not restricted in any way by our memorandum of association or Articles or by the laws of the State of Israel.

E. Taxation

The following description is not intended to constitute a complete analysis of all tax consequences relating to the ownership or disposition of our Ordinary Shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign, including Israeli, or other taxing jurisdiction.

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Israeli Tax Considerations and Government Programs

The following is a description of the material Israeli income tax consequences of the ownership of our Ordinary Shares. The following also contains a description of material relevant provisions of the current Israeli income tax structure applicable to companies in Israel, with reference to its effect on us. To the extent that the discussion is based on new tax legislation which has not been subject to judicial or administrative interpretation, there can be no assurance that the tax authorities will accept the views expressed in the discussion in question. The discussion is not intended, and should not be taken, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

The following description is not intended to constitute a complete analysis of all tax consequences relating to the ownership or disposition of our Ordinary Shares.

Shareholders should consult their own tax advisors concerning the tax consequences of their particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign, or other taxing jurisdiction.

General Corporate Tax Structure in Israel

Israeli companies are generally subject to corporate tax, currently at the rate of 23%. However, the effective tax rate payable by a company that derives income from a Preferred Enterprise or Preferred Technological Enterprise (as discussed below) may be considerably less.

Capital gains derived by an Israeli resident company are subject to tax at the regular corporate tax rate. Under Israeli tax legislation, a corporation will be considered as an "Israeli resident company" if it meets one of the following criteria: (i) it was incorporated in Israel; or (ii) the control and management of its business are exercised in Israel.

Law for the Encouragement of Industry (Taxes), 5729-1969

The Law for the Encouragement of Industry (Taxes), 5729-1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for Industrial Companies.

The Industry Encouragement Law defines an "Industrial Company" as an Israeli resident-company, which has 90% or more of its income in any tax year, other than income from defense loans, derived from an "Industrial Enterprise" owned by it. An "Industrial Enterprise" is defined as an enterprise whose principal activity in a given tax year is industrial production.

The following corporate tax benefits, among others, are available to Industrial Companies:

- amortization of the cost to purchase a patent, rights to use a patent, and know-how, which are used for the development or advancement of the company, over an eight-year period, commencing on the year in which such rights were first exercised;
- under limited conditions, an election to file consolidated tax returns with related Israeli Industrial Companies; and
- expenses related to a public offering are deductible in equal amounts over three years.

Eligibility for benefits under the Industry Encouragement Law is not contingent upon approval of any governmental authority, but it is quite common to maintain preapproval from the Israeli Tax Authority, or the ITA.

Tax Benefits and Grants for Research and Development

General. The IIA, an independent publicly funded agency, was created to provide a variety of practical tools and funding platforms aimed at effectively addressing the dynamic and changing needs of the local and international innovation ecosystem. The IIA acts under the Law for the Encouragement of Research, Development and Technological Innovation in the Industry 1984 and the related IIA rules and regulations, or the Innovation Law. Companies that receive funding from the IIA are subject to certain liabilities of the Innovation Law, mainly pertaining to the know-how that was developed with the support of the IIA within the framework of an R&D funding program, and/or its derivatives, or the IIA-supported Know-how, and/or to the products derived from the technology that was developed with the support of the IIA within the framework of an R&D funding program, and/or its derivatives, or IIA-supported products.

Ownership Structure. Any change of ownership must be reported to the IIA prior to the execution of the acquisition. A change in the company's ownership, in which a foreign entity becomes a shareholder in the company, requires the IIA approval and the new shareholder signature on an undertaking letter acknowledging the company's liabilities to the Innovation Law.

Royalty payment. Companies supported by the IIA are required to pay royalties on income yielded from the IIA-supported products, until full refund of the grant, which is linked to the US dollar and carries interest (Until October 25, 2023, the interest was calculated at a rate based on 12-month LIBOR applicable to US Dollar deposits. However, on October 25, 2023, the IIA published a directive concerning changes in royalties to address the expiration of the LIBOR. Under such directive, regarding IIA grants approved by the IIA prior to January 1, 2024 but which are outstanding thereafter, as of January 1, 2024 the annual interest is calculated at a rate based on 12-month SOFR, as published by the CME Group or any authorized body of the Federal Reserve on the first trading day of each year, or at an alternative rate published by the Bank of Israel plus 0.71513%; and, for grants approved on or following January 1, 2024 the annual interest shall be the higher of (i) the 12 months SOFR interest rate, plus 1%, or (ii) a fixed annual interest rate of 4%). Until July 2017, the rate of the royalties refund was 3% of related income in the first three years, and 3.5% from the 4th year, onward. As of July 2017, the rate of the royalties refund for companies with total revenues of under \$70 million at the year preceding the application date, has changed to 3%.

Manufacturing location. Until 2003, manufacturing was considered to be done completely in Israel, and after this date, the manufacturing location (including assembly) is determined based on the manufacturing declaration located in the grant application submitted for supporting R&D, or the Manufacturing Declaration. The transfer of manufacturing activity outside Israel may be subject to the prior approval of the IIA and may result in an increased royalty payment rate and an increased total royalty payment, which will be calculated based on the deviation from the company's Manufacturing Declaration. Cumulative deviation of under 10% requires notification of the IIA, while 10% or more requires pre-approval.

The rate of royalty payment due to overseas manufacturing is increased as follows: If the foreign company will be given the rights to only manufacture the IIA-supported products, an additional 1% will be incurred (e.g., instead of paying 3%, the company will pay 4%). However, if the foreign company will be given the rights to both manufacture and distribute the IIA-supported products, the royalties rate may be higher. The increased royalty rate will apply for revenues associated with manufacturing outside of Israel only. In general, royalties will be paid from the final sale price to the client and not from the inter-company transfer price. The company will have to keep paying royalties until it reaches the new royalty liability ceiling.

The increased repayment is calculated according to the percentage of the manufacturing activities that are carried out outside of Israel out of the total cumulative manufacturing activities both in Israel and abroad, as described in the following table:

Percentage of manufacturing activities performed outside of Israel, cumulatively	The increased payment to the IIA
Up to 50%	120% of the received grants + interest
Between 50% and 90%	150% of the received grants + interest
90% and more	300% of the received grants + interest

For applications to manufacture abroad submitted to the IIA after October 25, 2023, the maximum increased liability is up to 150% of the IIA grants, plus interest accrued thereon, instead of 300%.

Know-how location. To the extent a company wishes to transfer its IIA-supported Know-how outside of Israel, the transfer must be preapproved by the IIA and the company may be required to pay an additional payment to the IIA, or the Fee, as described below. This Fee (which also relates to programs that are absolved of royalty payment) is calculated according to the ratio between the total grants received from the IIA and the total financial R&D expenses invested in the related know-how (including the received grants), multiplied by the transaction price of the IIA-supported Know-how, or the Basic Amount.

The Basic Amount minus the received grants is depreciated at a rate of 1/7 per annum, as of the fourth year from the end of the last supported file in each program. As a result, when transferring IIA-supported Know-how after 10 years or more, the maximum payment to the IIA will be only the total sum of the received grants plus interest, minus paid royalties.

However, the aforementioned formula has a minimum and a maximum limits. The minimum amount of the payment is the total sum of grants received plus interest. The maximum amount shall be no higher than 6 times the total sum of grants received plus interest. In the case that the IIA-supported company retains its R&D center in Israel for at least three consecutive years, following the year of transferring the IIA-supported Know-how outside of Israel, while maintaining at least 75% of its R&D employment in Israel - the payment will be limited to 3 times the total sum of grants received plus interest.

Transferring IIA-supported Know-how outside of Israel according to the Innovation Law (including paying the Fee where necessary) releases the IIA-supported company from all liabilities to the IIA.

Transfer of know-how to another Israeli entity is subject to signature of the recipient Israeli entity on a formal IIA issued undertaking document, to comply with the provisions of the Innovation Law, including the restrictions on the transfer of know-how and the obligation to pay royalties.

According to the above, these liabilities should be taken into account when we consider to outsource manufacturing, engage in change of control transactions or otherwise transfer our know-how outside of Israel, and may require us to obtain the pre-approval of the IIA for certain actions and transactions and pay additional payments to the IIA. In particular, any change of control and any change of ownership of our Ordinary Shares that would make a non-Israeli citizen or resident an "interested party," as defined in the Innovation Law, requires a prior written notice to the IIA in addition to any payment that may be required of us for transfer of manufacturing or know-how outside of Israel. If we fail to comply with the Innovation Law, we may be subject to criminal charges or to mandatory repayment of grants received by us (together with interest and penalties).

Tax Benefits for Research and Development

Israeli tax law allows, under certain conditions, a tax deduction for expenditures, including capital expenditures, for the year in which they are incurred. Expenditures are deemed related to scientific research and development projects, if:

- The expenditures are approved by the relevant Israeli government ministry, determined by the field of research;
- The research and development must be for the promotion of the company; and
- The research and development is carried out by or on behalf of the company seeking such tax deduction.

The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. No deduction under these research and development deduction rules is allowed if such deduction is related to an expense invested in an asset depreciable under the general depreciation rules of the Tax Ordinance. Expenditures not so approved are deductible in equal amounts over three years.

From time to time, we may apply the Office of the Chief Scientist for approval to allow a tax deduction for all research and development expenses during the year incurred. There can be no assurance that such application will be accepted.

Law for the Encouragement of Capital Investments, 1959

The Law for the Encouragement of Capital Investments, 1959, generally referred to as the Investment Law, provides certain incentives for capital investments in production facilities (or other eligible assets).

Tax benefits under the 2011 Amendment

The 2011 Amendment canceled the availability of the benefits granted under the Investment Law prior to 2011 and, instead introduced new benefits for income generated by a "Preferred Company" through its "Preferred Enterprise" (as such terms are defined in the Investment Law) as of January 1, 2011. The definition of a Preferred Company includes a company incorporated in Israel that is not fully owned by a governmental entity, and that has, among other things, Preferred Enterprise status and is controlled and managed from Israel. Pursuant to the 2011 Amendment, a Preferred Company is entitled to a reduced corporate tax rate of 16% with respect to its income derived from its Preferred Enterprise, unless the Preferred Enterprise is located in a specified development zone, in which case the rate will be 7.5%. Income derived by a Preferred Company from a "Special Preferred Enterprise" (as such term is defined in the Investment Law) would be entitled, during a benefits period of 10 years, to further reduced tax rates of 8% or 5% if the Special Preferred Enterprise is located in a certain development zone.

Dividends distributed from income which is attributed to a "Preferred Enterprise" should generally be subject to withholding tax at source at the following rates: (i) Israeli resident corporations - 0%, (although, if such dividends are subsequently distributed to individuals or a non-Israeli company the below rates detailed in sub sections (ii) and (iii) shall apply), (ii) Israeli resident individuals - 20% and (iii) non-Israeli residents (individuals and corporations) - subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate, 20% or such lower rate as may be provided under the provisions of any applicable double tax treaty.

We currently do not intend to implement the 2011 Amendment.

Tax benefits under the 2017 Amendment that became effective on January 1, 2017

The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and is effective as of January 1, 2017. The 2017 Amendment provided new tax benefits for two types of "Technological Enterprises," as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technology company satisfying certain conditions should qualify as a Preferred Technological Enterprise, or PTE, and thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as "Preferred Technological Income", as defined in the Investment Law. The tax rate is further reduced to 7.5% for a PTE located in development zone "A". In addition, a PTE will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain "Benefited Intangible Assets" (as defined in the Investment Law) to a related foreign company if the Benefited Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale received prior approval from the National Authority for Technological Innovation previously known as the Israeli Office of the Chief Scientist), to

which we refer as IIA.

The 2017 Amendment further provides that a technology company satisfying certain conditions (group turnover of at least NIS 10 billion) should qualify as a "Special Preferred Technological Enterprise" and will thereby enjoy a reduced corporate tax rate of 6% on "Preferred Technological Income" regardless of the company's geographic location within Israel. In addition, a Special Preferred Technological Enterprise should enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain "Benefited Intangible Assets" to a related foreign company if the Benefited Intangible Assets were either developed by the Special Preferred Enterprise or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from IIA. A Special Preferred Technological Enterprise that acquires Benefited Intangible Assets from a foreign company for more than NIS 500 million should be eligible for these benefits for at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed out of Preferred Technological Income to Israeli shareholders by a PTE or a Special Preferred Technology Enterprise, paid out of Preferred Technological Income, should generally be subject to withholding tax at source at the rate of 20% (in the case of non-Israeli shareholders, a lower rate may be provided in an applicable tax treaty) but in either case, subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate. However, if such dividends are paid to an Israeli company, no tax is generally required to be withheld (although, if such dividends are subsequently distributed to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty, should apply). If such dividends are distributed to a foreign company that holds solely or together with other foreign companies 90% or more in the Israeli company and other conditions are met, the withholding tax rate should be 4% (or such lower rate as may be provided in an applicable tax treaty, in either case, subject to the receipt in advance of a valid certificate from the ITA allowing for such reduced tax rate).

We are examining the potential impact of the 2017 Amendment and the degree to which we may qualify as a PTE, the amount of Preferred Technological Income that we may have and other benefits that we may receive from the 2017 Amendment in the future.

Taxation of our Shareholders

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders. A non-Israeli resident who derives capital gains from the sale of shares in an Israeli resident company will be exempt from Israeli tax so long as the shares were not held through a permanent establishment that the non-resident maintains in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) have a controlling interest of 25% or more in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

Additionally, a sale of securities by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under Convention Between the Government of the United States of America and the Government of the State of Israel with respect to Taxes on Income, as amended, or the United States-Israel Tax Treaty, the sale, exchange or other disposition of shares by a shareholder who is a United States resident (for purposes of the treaty) holding the shares as a capital asset and is entitled to claim the benefits afforded to such a resident by the U.S.-Israel Tax Treaty, or a Treaty U.S. Resident, is generally exempt from Israeli capital gains tax unless: (i) the capital gain arising from such sale, exchange or disposition is attributed to real estate located in Israel; (ii) the capital gain arising from such sale, exchange or disposition is attributed to royalties; (iii) the capital gain arising from the such sale, exchange or disposition is attributed to a permanent establishment in Israel, under certain terms; (iv) such Treaty U.S. Resident holds, directly or indirectly, shares representing 10% or more of the voting capital during any part of the 12-month period preceding the disposition, subject to certain conditions; or (v) such Treaty U.S. Resident is an individual and was present in Israel for 183 days or more during the relevant taxable year.

In some instances where our shareholders may be liable for Israeli tax on the sale of their Ordinary Shares, the payment of the consideration may be subject to the withholding of Israeli tax. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale.

Taxation of Non-Israeli Shareholders on Receipt of Dividends. Non-Israeli residents are generally subject to Israeli income tax on the receipt of dividends paid on our Ordinary Shares at the rate of 25% (before surtax at a rate of up to 5% on income above certain threshold), which tax will be withheld, unless relief is provided in a treaty between Israel and the shareholder's country of residence. With respect to a person who is a "substantial shareholder" at the time of receiving the dividend or at any time during the preceding twelve months, the applicable tax rate is 30% (before surtax at a rate of up to 5% on income above certain threshold). A "substantial shareholder" is generally a person who alone or together with such person's relative or another person who collaborates with such person on a permanent basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation at the time of receiving the dividend or at any time during the preceding twelve months. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. However, a distribution of dividends to non-Israeli residents is subject to withholding tax at source at a rate of 20% if the dividend is distributed from income attributed to a Preferred Enterprise or PTE, unless a reduced tax rate is provided under an applicable tax treaty. For example, under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our Ordinary Shares who is a Treaty U.S. Resident is 25%. However, generally, the maximum rate of withholding tax on dividends, not generated by a Preferred Enterprise or PTE, that are paid to a United States corporation holding 10% or more of the outstanding voting capital throughout the tax year in which the dividend is distributed as well as during the previous tax year, is 12.5%, provided that not more than 25% of the gross income for such preceding year consists of certain types of dividends and interest. Notwithstanding the foregoing, dividends distributed from income attributed to a Preferred Enterprise or PTE are not entitled to such reduction under the tax treaty but are subject to a withholding tax rate of 15% for a shareholder that is a U.S. corporation, provided that the condition related to our gross income for the previous year (as set forth in the previous sentence) is met. If the dividend is attributable partly to income derived from a Preferred Enterprise or PTE, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders' tax liability.

U.S. Federal Income Tax Considerations

THE FOLLOWING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSIDERED TO BE, LEGAL OR TAX ADVICE. EACH U.S. HOLDER SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISOR AS TO THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, AND SALE OF ORDINARY SHARES, THE WARRANTS AND THE ORDINARY SHARES ISSUED OR ISSUABLE UPON EXERCISE OF THE WARRANTS, INCLUDING THE EFFECTS OF APPLICABLE STATE, LOCAL, FOREIGN OR OTHER TAX LAWS AND POSSIBLE CHANGES IN THE TAX LAWS.

Subject to the limitations described in the next paragraph, the following discussion summarizes the material U.S. federal income tax consequences to a "U.S. Holder" arising from the purchase, ownership and sale of the Ordinary Shares, the Warrants and the Ordinary Shares issued or issuable upon exercise of the Warrants, or collectively, the securities. For this purpose, a "U.S. Holder" is a holder of securities that is: (1) an individual citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or meets the substantial presence residency test under U.S. federal income tax laws; (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) or a partnership (other than a partnership that is not treated as a U.S. person under any applicable U.S. Treasury regulations) created or organized under the laws of the United States or the District of Columbia or any political subdivision thereof; (3) an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of source; (4) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust; or (5) a trust that has a valid election in effect to be treated as a U.S. person to the extent provided in U.S. Treasury regulations.

This summary is for general information purposes only and does not purport to be a comprehensive description of all of the U.S. federal income tax considerations that may be relevant to a decision to purchase our securities. This summary generally considers only U.S. Holders that will own our securities as capital assets. Except to the limited extent discussed below, this summary does not consider the U.S. federal tax consequences to a person that is not a U.S. Holder, nor does it describe the rules applicable to determine a taxpayer's status as a U.S. Holder. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, or the Code, final, temporary and proposed U.S. Treasury regulations promulgated thereunder, administrative and judicial interpretations thereof, (including with respect to the Tax Cuts and Jobs Act of 2017), and the U.S.-Israel Income Tax Treaty, all as in effect as of the date hereof and all of which are subject to change, possibly on a retroactive basis, and all of which are open to differing interpretations. We will not seek a ruling from the IRS with regard to the U.S. federal income tax treatment of an investment in our securities by U.S. Holders and, therefore, can provide no assurances that the IRS will agree with the conclusions set forth below.

This discussion does not address all of the aspects of U.S. federal income taxation that may be relevant to a particular U.S. holder based on such holder's particular circumstances and in particular does not discuss any estate, gift, generation-skipping, transfer, state, local, excise or foreign tax considerations. In addition, this discussion does not address the U.S. federal income tax treatment of a U.S. Holder who is: (1) a bank, life insurance company, regulated investment company, or other financial institution or "financial services entity;" (2) a broker or dealer in securities or foreign currency; (3) a person who acquired our securities in connection with employment or other performance of services; (4) a U.S. Holder that is subject to the U.S. alternative minimum tax; (5) a U.S. Holder that holds our securities as a hedge or as part of a hedging, straddle, conversion or constructive sale transaction or other risk-reduction transaction for U.S. federal income tax purposes; (6) a tax-exempt entity; (7) real estate investment trusts or grantor trusts; (8) a U.S. Holder that expatriates out of the United States or a former long-term resident of the United States; or (9) a person having a functional currency other than the U.S. dollar. This discussion does not address the U.S. federal income tax treatment of a U.S. Holder that owns, directly or constructively, at any time, securities representing 10% or more of our voting power. Additionally, the U.S. federal income tax treatment of partnerships (or other pass-through entities) or persons who hold securities through a partnership or other pass-through entity are not addressed.

Each prospective investor is advised to consult his or her own tax adviser for the specific tax consequences to that investor of purchasing, holding or disposing of our securities, including the effects of applicable state, local, foreign or other tax laws and possible changes in the tax laws.

Exercise or Expiry of Warrants

No gain or loss will be realized on the exercise of a Warrant. When a Warrant is exercised, the U.S. Holder's cost of the Ordinary Shares acquired thereby will be equal to the U.S. Holder's adjusted cost basis of the Warrant plus the exercise price paid for the Ordinary Shares. The expiration of an unexercised Warrant will generally give rise to a capital loss equal to the adjusted cost basis to the U.S. Holder of the Warrant. The holding period of the Ordinary Shares acquired by the exercise of a Warrant includes the holding period of the Warrant.

Taxation of Dividends Paid on Securities

We do not intend to pay dividends in the foreseeable future and U.S. Holders of Warrants are not entitled to dividends. In the event that we do pay dividends, and subject to the discussion under the heading "Passive Foreign Investment Companies" below and the discussion of "qualified dividend income" below, a U.S. Holder, other than certain U.S. Holder's that are U.S. corporations, will be required to include in gross income as ordinary income the amount of any distribution paid on securities (including distributions paid on the Warrants if such warrants were to become entitled to dividends and the amount of any Israeli tax withheld on the date of the distribution), to the extent that such distribution does not exceed our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. The amount of a distribution which exceeds our earnings and profits will be treated first as a non-taxable return of capital, reducing the U.S. Holder's tax basis for the securities to the extent thereof, and then capital gain. We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles and, therefore, U.S. Holders should expect that the entire amount of any distribution generally will be reported as dividend income.

In general, preferential tax rates for "qualified dividend income" and long-term capital gains are applicable for U.S. Holders that are individuals, estates, or trusts. For this purpose, "qualified dividend income" means, inter alia, dividends received from a "qualified foreign corporation." A "qualified foreign corporation" is a corporation that is entitled to the benefits of a comprehensive tax treaty with the United States which includes an exchange of information program. The IRS has stated that the U.S.-Israel Tax Treaty satisfies this requirement and we believe we are eligible for the benefits of that treaty.

In addition, our dividends will be qualified dividend income if our securities are readily tradable on the Nasdaq Capital Market or another established securities market in the United States. Dividends will not qualify for the preferential rate if we are treated, in the year the dividend is paid or in the prior year, as a PFIC, as described below under "Passive Foreign Investment Companies." A U.S. Holder will not be entitled to the preferential rate: (1) if the U.S. Holder has not held our securities for at least 61 days of the 121 day period beginning on the date which is 60 days before the ex-dividend date, or (2) to the extent the U.S. Holder is under an obligation to make related payments on substantially similar property. Any days during which the U.S. Holder has diminished its risk of loss on our securities are not counted towards meeting the 61-day holding period. Finally, U.S. Holders who elect to treat the dividend income as "investment income" pursuant to Code section 163(d)(4) will not be eligible for the preferential rate of taxation.

The amount of a distribution with respect to our securities will be measured by the amount of the fair market value of any property distributed, and for U.S. federal income tax purposes, the amount of any Israeli taxes withheld therefrom. Cash distributions paid by us in NIS will be included in the income of U.S. Holders at a U.S. dollar amount based upon the spot rate of exchange in effect on the date the dividend is includible in the income of the U.S. Holder, and U.S. Holders will have a tax basis in such NIS for U.S. federal income tax purposes equal to such U.S. dollar value. If the U.S. Holder subsequently converts the NIS into U.S. dollars or otherwise disposes of it, any subsequent gain or loss in respect of such NIS arising from exchange rate fluctuations will be U.S. source ordinary exchange gain or loss.

Taxation of the Disposition of Securities

Except as provided under the PFIC rules described below under "Passive Foreign Investment Companies," upon the sale, exchange or other disposition of our securities, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference between such U.S. Holder's tax basis for the securities in U.S. dollars and the amount realized on the disposition in U.S. dollar (or its U.S. dollar equivalent determined by reference to the spot rate of exchange on the date of disposition, if the amount realized is denominated in a foreign currency). The gain or loss realized on the sale, exchange or other disposition of securities will be long-term capital gain or loss if the U.S. Holder has a holding period of more than one year at the time of the disposition. Individuals who recognize long-term capital gains may be taxed on such gains at reduced rates of tax. The deduction of capital losses is subject to various limitations.

Passive Foreign Investment Companies

Special U.S. federal income tax laws apply to U.S. taxpayers who own shares of a corporation that is a PFIC. We will be treated as a PFIC for U.S. federal income tax purposes for any taxable year that either:

- 75% or more of our gross income (including our pro-rata share of gross income for any company, in which we are considered to own 25% or more of the shares by value), in a taxable year is passive; or

- At least 50% of our assets, averaged over the year and generally determined based upon fair market value (including our pro-rata share of the assets of any company in which we are considered to own 25% or more of the shares by value) are held for the production of, or produce, passive income.

For this purpose, passive income generally consists of dividends, interest, rents, royalties, annuities and income from certain commodities transactions and from notional principal contracts. Cash is treated as generating passive income.

The tests for determining PFIC status are applied annually, and it is difficult to make accurate projections of future income and assets which are relevant to this determination. In addition, our PFIC status may depend in part on the market value of our securities. Accordingly, there can be no assurance that we currently are not or will not become a PFIC.

If we currently are or become a PFIC, each U.S. Holder who has not elected to mark the shares to market (as discussed below), would, upon receipt of certain distributions by us and upon disposition of our securities at a gain: (1) have such distribution or gain allocated ratably over the U.S. Holder's holding period for the securities, as the case may be; (2) the amount allocated to the current taxable year and any period prior to the first day of the first taxable year in which we were a PFIC would be taxed as ordinary income; and (3) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. In addition, when shares of a PFIC are acquired by reason of death from a decedent that was a U.S. Holder, the tax basis of such shares would not receive a step-up to fair market value as of the date of the decedent's death, but instead would be equal to the decedent's basis if lower, unless all gain were recognized by the decedent. Indirect investments in a PFIC may also be subject to these special U.S. federal income tax rules.

The PFIC rules described above would not apply to a U.S. Holder who makes a QEF election for all taxable years that such U.S. Holder has held the securities while we are a PFIC, provided that we comply with specified reporting requirements. Instead, each U.S. Holder who has made such a QEF election is required for each taxable year that we are a PFIC to include in income such U.S. Holder's pro rata share of our ordinary earnings as ordinary income and such U.S. Holder's pro rata share of our net capital gains as long-term capital gain, regardless of whether we make any distributions of such earnings or gain. In general, a QEF election is effective only if we make available certain required information. The QEF election is made on a shareholder-by-shareholder basis and generally may be revoked only with the consent of the IRS. We do not intend to notify U.S. Holders if we believe we will be treated as a PFIC for any tax year. In addition, we do not intend to furnish U.S. Holders annually with information needed in order to complete IRS Form 8621 and to make and maintain a valid QEF election for any year in which we or any of our subsidiaries are a PFIC. Therefore, the QEF election will not be available with respect to our securities.

In addition, the PFIC rules described above would not apply if we were a PFIC and a U.S. Holder made a mark-to-market election. A U.S. Holder of our securities which are regularly traded on a qualifying exchange, including the Nasdaq Capital Market, can elect to mark the securities to market annually, recognizing as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the securities and the U.S. Holder's adjusted tax basis in the securities. Losses are allowed only to the extent of net mark-to-market gain previously included income by the U.S. Holder under the election for prior taxable years.

U.S. Holders who hold our securities during a period when we are a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC. U.S. Holders are strongly urged to consult their tax advisors about the PFIC rules.

Tax on Net Investment Income

U.S. Holders who are individuals, estates or trusts will generally be required to pay a 3.8% Medicare tax on their net investment income (including dividends on and gains from the sale or other disposition of our securities), or in the case of estates and trusts on their net investment income that is not distributed. In each case, the 3.8% Medicare tax applies only to the extent the U.S. Holder's total adjusted income exceeds applicable thresholds.

Tax Consequences for Non-U.S. Holders of Securities

Except as provided below, an individual, corporation, estate or trust that is not a U.S. Holder referred to below as a non-U.S. Holder, generally will not be subject to U.S. federal income or withholding tax on the payment of dividends on, and the proceeds from the disposition of, our securities.

A non-U.S. Holder may be subject to U.S. federal income tax on a dividend paid on our securities or gain from the disposition of our securities if: (1) such item is effectively connected with the conduct by the non-U.S. Holder of a trade or business in the United States and, if required by an applicable income tax treaty is attributable to a permanent establishment or fixed place of business in the United States; or (2) in the case of a disposition of our securities, the individual non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and other specified conditions are met.

In general, non-U.S. Holders will not be subject to backup withholding with respect to the payment of dividends on our securities if payment is made through a paying agent, or office of a foreign broker outside the United States. However, if payment is made in the United States or by a U.S. related person, non-U.S. Holders may be subject to backup withholding, unless the non-U.S. Holder provides an applicable IRS Form W-8 (or a substantially similar form) certifying its foreign status, or otherwise establishes an exemption.

The amount of any backup withholding from a payment to a non-U.S. Holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Information Reporting and Withholding

A U.S. Holder may be subject to backup withholding at a rate of 24% with respect to cash dividends and proceeds from a disposition of securities. In general, backup withholding will apply only if a U.S. Holder fails to comply with specified identification procedures. Backup withholding will not apply with respect to payments made to designated exempt recipients, such as corporations and tax-exempt organizations. Backup withholding is not an additional tax and may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder, provided that the required information is timely furnished to the IRS.

A U.S. Holder with interests in "specified foreign financial assets" (including, among other assets, our securities, unless such securities are held on such U.S. Holder's behalf through a financial institution) may be required to file an information report with the IRS if the aggregate value of all such assets exceeds \$50,000 on the last day of the taxable year or \$75,000 at any time during the taxable year (or such higher dollar amount as may be prescribed by applicable IRS guidance); and may be required to file a Report of Foreign Bank and Financial Accounts, or FBAR, if the aggregate value of the foreign financial accounts exceeds \$10,000 at any time during the calendar year. You should consult your own tax advisor as to the possible obligation to file such information report.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to certain information reporting requirements of the Exchange Act, applicable to foreign private issuers and under those requirements will file reports with the SEC. The SEC maintains an Internet website that contains reports and other information regarding issuers that file electronically with the SEC. Our filings with the SEC will also be available to the public through the SEC's website at www.sec.gov.

As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act. However, we will file with the SEC, within 120 days after the end of each fiscal year, or such applicable time as required by the SEC, an annual report containing financial statements audited by an independent registered public accounting firm, and may submit to the SEC, on a Form 6-K, unaudited half-yearly financial information.

We maintain a corporate website www.maris-tech.com. Information contained on, or that can be accessed through, our website and the other websites referenced above do not constitute a part of this Annual Report. We have included these website addresses in this Annual Report solely as inactive textual references.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

In the ordinary course of our operations, we are exposed to certain market risks, primarily changes in foreign currency exchange rates and interest rates.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our current investment policy is to invest available cash in bank deposits with banks that have a credit rating of at least A-minus. Accordingly, some of our cash and cash equivalents is held in deposits that bear interest. Given the current low rates of interest we receive, we will not be adversely affected if such rates are reduced. Our market risk exposure is primarily a result of U.S. dollar/NIS exchange rates, which is discussed in detail in the following paragraph.

Foreign Currency Exchange Risk

Our functional and reporting currency is the U.S. dollar. Although the U.S. dollar is our functional currency, the majority of our expenses are denominated in NIS, and currently most of our revenues are denominated in U.S. dollars. Our foreign currency exposures give rise to market risk associated with exchange rate movements of the U.S. dollar against the NIS. Our NIS expenses consist principally of payroll to our employees in Israel, payments made to subcontractors for purchasing components to our products, research and development activities and marketing and sales activities. We anticipate that a significant portion of our expenses will continue to be denominated in NIS. If the U.S. dollar fluctuates significantly against the NIS, it may have a negative impact on our results of operations. To date, fluctuations in the exchange rates have not materially affected our results of operations or financial condition.

Due to the fact that exchange rates between the U.S. dollar and the NIS fluctuate continuously, such fluctuations have an impact on our results and period-to-period comparisons of our results. The effects of foreign currency remeasurements are reported in our statements of operations. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

Currently, we do not hedge our foreign currency exchange risk. In the future, we may enter into formal currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

Impact of Inflation and Currency Fluctuations

Our functional and reporting currency is the U.S. dollar. We incur some of our expenses in other currencies. As a result, we are exposed to the risk that the rate of inflation in countries in which we are active other than the United States will exceed the rate of devaluation of such countries' currencies in relation to the dollar or that the timing of any such devaluation will lag behind inflation in such countries. To date, we have been affected by the exchange rates of other countries' currencies compared to the dollar, and we cannot assure you that we will not be adversely affected in the future.

The annual rate of inflation in Israel was 3.2% in 2024 and 3.0% in 2023. The NIS revaluated against the U.S. dollar by approximately 0.6% in 2024 and 3.1% in 2023.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities.

Not applicable.

B. Warrants and rights.

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

In connection with the IPO (including over-allotment and Pre-Funded Warrant exercises), we issued and sold 4,244,048 Ordinary Shares and Warrants to purchase up to 4,244,048 Ordinary Shares and received aggregate gross proceeds of approximately \$17.8 million, before deducting underwriting discounts, commissions and offering expenses.

The net proceeds from the offering have been used, and are expected to continue to be used, for the following purposes:

- approximately \$4.0 million for research and development of new technologies as well as existing products;
- approximately \$4.0 million for marketing and sales efforts in new territories (with emphasis on the U.S. market);
- approximately \$1.2 million for the repayment of certain outstanding loans; and
- the remainder for working capital and general corporate purposes.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2024, or the Evaluation Date. Based on the material weaknesses identified in our internal control over financial reporting as described below as of the Evaluation Date, our disclosure controls and procedures were not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be included in periodic filings under the Exchange Act and that such information is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2024 based on the criteria set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). [Based on that assessment, our management concluded that our internal control over financial reporting was not effective as of December 31, 2024, due to the continued insufficient number of financial reporting personnel with an appropriate level of knowledge, experience and training in application of U.S. GAAP and SEC rules and regulations commensurate with our reporting requirements and inadequate segregation of duties consistent with control objectives.

As defined in Regulation 12b-2 under the Securities Exchange Act, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented, or detected on a timely basis.

As of December 31, 2021, we identified material weaknesses in our internal control over financial reporting, which continued to persist as of December 31, 2024. As defined in Regulation 12b-2 under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual financial statements will not be prevented or detected on a timely basis. Specifically, we determined that the material weaknesses are related to having an insufficient number of financial reporting personnel with an appropriate level of knowledge, experience and training in the application of U.S. GAAP and SEC rules and regulations commensurate with our reporting requirements and inadequate segregation of duties consistent with control objectives.

Since 2022, we have been implementing corrective actions to address these weaknesses, including improving the segregation of duties and enhancing our controls to ensure the accuracy of our financial reporting. We have also taken the following actions toward remediating these material weaknesses:

- during 2022, we hired additional qualified personnel with U.S. GAAP accounting and SEC reporting experience, including our Chief Financial Officer and our chief accountant. During 2025, we will continue to seek additional finance professionals to increase the number of qualified financial reporting personnel and implement segregation of duties;
- during 2023 and 2024, we designed and implemented internal financial reporting procedures and controls to improve the completeness, accuracy and timely preparation of our financial reporting and disclosures inclusive of providing enhanced training to existing financial and accounting employees on related U.S. GAAP issues;
- on a regular basis, we are developing, communicating and implementing accounting policy procedures and controls for our financial reporting personnel for recurring transactions, reconciliations, period-end closing processes and policies relating to segregation of duties and we will complete such development and implementation during 2025;
- during 2023, we begun the development and implementation of accounting policies procedures and controls for our financial reporting personnel for recurring transactions, period-end closing processes and policies relating to segregation of duties; and
- since 2024, we have continued to enhance the design and operation of user access control activities and procedures to ensure that access to IT applications and data is adequately restricted to appropriate personnel.

The process of designing and maintaining effective internal control over financial reporting is a continuous effort that requires management to anticipate and react to changes in our business, economic, and regulatory environments and to expend significant resources. As we continue to evaluate our internal control over financial reporting, we may take additional actions to remediate the material weaknesses or modify the remediation actions described above.

Although we believe, based on our evaluation to date, that there has been some progress in remediating the material weaknesses, we cannot project a specific timeline on when the material weaknesses will be fully remediated. The material weaknesses will not be remediated until the necessary internal controls have been designed, implemented, tested and determined to be operating effectively. In addition, the implementation of these initiatives may not fully address any material weakness or other deficiencies that we may have in our internal control over financial reporting.

(c) Attestation Report of the Registered Public Accounting Firm

Not applicable.

(d) Changes in Internal Control over Financial Reporting

During the year ended December 31, 2024, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that all of the members of the Audit Committee financial expert as such term is defined by the SEC rules and has the requisite financial experience as defined by the Nasdaq Rules. Each of the members of our Audit Committee is "independent" as such term is defined in Rule 10A-3(b)(1) under the Exchange Act and satisfies the independent director requirements under the Nasdaq Rules.

ITEM 16B. CODE OF ETHICS

Code of Business Conduct and Ethics

We have adopted a written code of ethics that applies to our officers and employees, including the Chief Executive Officer, President, Chief Financial Officer, Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, Controller and persons performing similar functions, as well as our directors. Our Code of Business Conduct and Ethics is posted on our website at www.maris-tech.com. Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report and is not incorporated by reference herein. If we make any amendment to the Code of Business Conduct and Ethics or grant any waivers, including any implicit waiver, from a provision of the code, we will disclose the nature of such amendment or waiver on our website to the extent required by the rules and regulations of the SEC including the instructions to Item 16B of Form 20-F. Any waiver of this Code for any Covered Person may be made only by the Board or the Audit Committee and will be promptly disclosed to stockholders and others, as required by applicable law. We must disclose changes to and waivers of the Code in accordance with applicable law. We have not granted any waivers under our Code of Business Conduct and Ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Pre-Approval of Auditors' Compensation

The following table provides information regarding fees paid by us to Kost Forer Gabbay & Kasierer, a member of EY Global, independent registered public accounting firm for the years ended December 31, 2024 and 2023.⁽⁵⁾

	Year Ended December 31,	
	2024	2023
Audit fees ⁽¹⁾	\$ 125,000	\$ 127,000
Audit-related fees ⁽²⁾	\$ 29,945	-
Tax fees ⁽³⁾	-	-
All other fees ⁽⁴⁾	\$ -	\$ -
Total	\$ 154,945	\$ 127,000

(1) Consists of fees billed for the audit of our annual financial statements and services that are normally provided by the auditors in connection with statutory and regulatory filings or engagements.

(2) Consists of assurance and related services that are reasonable related to the performance of the audit and review of our financial statements and are not included in "audit fees" in this table.

(3) Consists of all tax-related services.

(4) Consists of consulting services.

(5) This table does not include the fees paid by us to our former auditor, Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, in the years ended December 31, 2024 and 2023, for the year ended December 31, 2022. In the years ended December 31, 2024 and 2023, we paid \$47,963 and \$110,047, respectively, to Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, for audit related fees, tax fees and other services.

Our board of directors have adopted an Audit Committee charter setting forth, among others, the responsibilities of the Audit Committee consistent with the rules of the SEC and Nasdaq Listing Rules (in addition to the requirements for such committee under the Companies Law), including, among others, the following:

- oversight of our independent registered public accounting firm and recommending the engagement, compensation or termination of engagement of our independent registered public accounting firm to the board of directors in accordance with Israeli law;

- recommending the engagement or termination of the person filling the office of our internal auditor, reviewing the services provided by our internal auditor and reviewing effectiveness of our system of internal control over financial reporting;

- recommending the terms of audit and non-audit services provided by the independent registered public accounting firm for pre-approval by our board of directors; and
- reviewing and monitoring, if applicable, legal matters with significant impact, finding of regulatory authorities' findings, receive reports regarding irregularities and legal compliance, acting according to

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

The Sarbanes-Oxley Act, as well as related rules subsequently implemented by the SEC, require foreign private issuers, such as us, to comply with various corporate governance practices. In addition, following the listing of the Ordinary Shares on Nasdaq, we will be required to comply with the Nasdaq Listing Rules. Under those rules, we may elect to follow certain corporate governance practices permitted under the Companies Law in lieu of compliance with corresponding corporate governance requirements otherwise imposed by the Nasdaq Listing Rules for U.S. domestic issuers.

In accordance with Israeli law and practice and subject to the exemption set forth in Rule 5615 of the Nasdaq Listing Rules, we have elected to follow the provisions of the Companies Law, rather than the Nasdaq Listing Rules, with respect to the following requirements:

- *Quorum.* While the Nasdaq Listing Rules require that the quorum for purposes of any meeting of the holders of a listed company's common voting stock, as specified in the company's bylaws, be no less than 33 1/3% of the company's outstanding common voting stock, under Israeli law, a company is entitled to determine in its articles of association the number of shareholders and percentage of holdings required for a quorum at a shareholders meeting. The Companies Law provides that a quorum of two or more shareholders holding at least 25% of the voting rights in person or by proxy is required for commencement of business at a general meeting, and our Articles reflect the same. However, the quorum set forth in our Articles with respect to an adjourned meeting consists of at least one shareholders present in person or by proxy.
- *Nomination of our directors.* Our directors are elected by the general meeting of our shareholders and, unless appointed for a shorter term, serve in office until the third annual general meeting after the general meeting in which such director was appointed, in which such later annual general meeting the directors will be brought for re-election or replacement. The nominations for directors, which are presented to our shareholders by our board of directors, are generally made by the board of directors itself, in accordance with the provisions of our Articles and the Companies Law. Nominations need not be made by a nominating committee of our board of directors consisting solely of independent directors, as required under the Nasdaq Listing Rules.

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- *Compensation of officers.* Israeli law and our Articles do not require that the independent members of our board of directors (or a compensation committee composed solely of independent members of our board of directors) determine an executive officer's compensation, as is generally required under the Nasdaq Listing Rules with respect to the chief executive officer and all other executive officers. Instead, compensation of executive officers is determined and approved by our Compensation Committee and our board of directors, and in certain circumstances by our shareholders, either in consistency with our office holder compensation policy or, in special circumstances in deviation therefrom, taking into account certain considerations stated in the Companies Law (see "Management - Board Practices - Approval of Related Party Transactions under Israeli Law" for additional information).
- *Shareholder approval.* We will seek shareholder approval for all corporate actions requiring such approval under the requirements of the Companies Law, rather than seeking approval for corporation actions in accordance with Nasdaq Listing Rule 5635. In particular, under this Nasdaq listing rule, shareholder approval is generally required for: (i) an acquisition of shares/assets of another company that involves the issuance of 20% or more of the acquirer's shares or voting rights or if a director, officer or 5% shareholder has greater than a 5% interest in the target company or the consideration to be received; (ii) the issuance of shares leading to a change of control; (iii) adoption/amendment of equity compensation arrangements (although under the provisions of the Companies Law there is no requirement for shareholder approval for the adoption/amendment of the equity compensation plan); and (iv) issuances of 20% or more of the shares or voting rights (including securities convertible into, or exercisable for, equity) of a listed company via a private placement (and/or via sales by directors/officers/5% shareholders) if such equity is issued (or sold) at below the greater of the book or market value of shares. By contrast, under the Companies Law, shareholder approval is required for, among other things: (i) transactions with directors concerning the terms of their service or indemnification, exemption and insurance for their service (or for any other position that they may hold at a company), for which approvals of the compensation committee, board of directors and shareholders are all required, (ii) extraordinary transactions with controlling shareholders of publicly held companies, which require the special approval, and (iii) terms of employment or other engagement of the controlling shareholder of us or such controlling shareholder's relative, which require special approval. In addition, under the Companies Law, a merger requires approval of the shareholders of each of the merging companies.
- *Approval of Related Party Transactions.* All related party transactions are approved in accordance with the requirements and procedures for approval of interested party acts and transaction as set forth in the Companies Law, which requires the approval of the audit committee, or the compensation committee, as the case may be, the board of directors and shareholders, as may be applicable, for specified transactions, rather than approval by the audit committee or other independent body of our board of directors as required under the Nasdaq Listing Rules (see "Management - Board Practices - Approval of Related Party Transactions under Israeli Law" for additional information).
- *Annual Shareholders Meeting.* As opposed to the Nasdaq listing Rule 5620(a), which mandates that a listed company hold its annual shareholders meeting within one year of the company's fiscal year-end, we are required, under the Companies Law, to hold an annual shareholder meeting each calendar year and within 15 months of the last annual shareholders meeting.
- *Distribution of periodic reports to shareholders; proxy solicitation.* As opposed to the Nasdaq Listing Rules, which require listed issuers to make such reports available to shareholders in one of a number of specific manners, Israeli law does not require us to distribute periodic reports directly to shareholders, and the generally accepted business practice in Israel is not to distribute such reports to shareholders but to make such reports available through a public website. In addition to making such reports available on a public website, we currently make our audited financial statements available to our shareholders at our offices and will only mail such reports to shareholders upon request. As a foreign private issuer, we are generally exempt from the SEC's proxy solicitation rules.

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ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

We have adopted an insider trading policy, or the Policy, governing the purchase, sale and other transactions in our securities that applies to our directors, senior management, employees, and other covered persons, including immediate family members and entities controlled by any of the foregoing persons.

The Policy prohibits, among other things, insider trading and certain speculative transactions in our securities (including short sales, buying put and selling call options and other hedging or derivative transactions in our securities) and establishes a regular blackout period schedule during which directors, senior management, employees, and other covered persons may not trade in our securities, as well as certain pre-clearance procedures that directors and senior management must observe prior to effecting any transaction in our securities.

We believe that the Policy is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and listing standards applicable to us. A copy of the Policy is filed as Exhibit 11.1 to this Annual Report.

ITEM 16K. CYBERSECURITY.

Our board of directors and senior management recognizes the critical importance of maintaining the trust and confidence of our clients, business partners and employees. Our management, led by our Chief Executive Officer and Chief Financial Officer, are actively involved in oversight of our risk management efforts, and cybersecurity represents an important component of our overall approach to risk management efforts. In general, we seek to address cybersecurity risks through a cross-functional approach that is focused on preserving the confidentiality, security and availability of the information that we collect and store by identifying, preventing and mitigating cybersecurity threats and effectively responding to cybersecurity incidents when they occur.

Risk Management and Strategy

Our cybersecurity efforts are focused on the following key areas:

- **Collaborative Approach:** We have implemented a cross-functional approach to identifying, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures that provide for the prompt escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner.
- **Technical Safeguards:** We deploy third party service providers to ensure the installation of technical safeguards that are designed to protect our information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls, which are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence.
- **Education and Awareness:** We provide initial basic training for personnel regarding cybersecurity threats as a means to equip our personnel with effective tools to address cybersecurity threats.

In connection with our risk management and strategy efforts, we have hired a third-party service provider to play a role in evaluations of our security controls, independent audits or consulting on best practices to address new challenges.

While we have experienced cybersecurity threats in the ordinary course of business and expect to continue to experience such threats from time to time, to date, none have had a material adverse effect on our business, financial condition, results of operations or cash flows. Even with the approach we take to cybersecurity, we may not be successful in preventing or mitigating a cybersecurity incident that could have a material adverse effect on us.

Governance

Our Chief Executive Officer and Chief Financial Officer oversee our cybersecurity risk management and mitigation efforts. The board of directors and Audit Committee receive prompt and timely information regarding any cybersecurity incidents. Our Audit Committee periodically discusses cybersecurity.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements and related information pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The financial statements and the related notes required by this Item are included in this Annual Report beginning on page F-1.

ITEM 19. EXHIBITS

The following documents are filed as part of Annual Report.

Number	Exhibit Description
1.1	Amended and Restated Articles of Association of Maris-Tech Ltd. (filed as Exhibit 99.1 to Form 6-K (File No. 001-41260) filed on April 1, 2022 and incorporated herein by reference).
2.1	Form of Warrant (filed as Exhibit 4.1 to Form F-1 (File No. 333-260670) filed on November 22, 2021 and incorporated herein by reference).
2.2	Form of Private Placement Warrant (filed as Exhibit 4.7 to Form F-1/A (File No. 333-260670) filed on December 29, 2021 and incorporated herein by reference).
2.3	Form of Representative's Warrant (filed as Exhibit 4.2 to Form F-1 (File No. 333-260670) filed on November 1, 2021 and incorporated herein by reference).

2.4*	Description of Share Capital.
4.1+	Form of Indemnification Agreement (filed as Exhibit 4.1 to Form 20-F (File No. 001-41260) filed on March 6, 2023 and incorporated herein by reference).
4.2	Form of Warrant Agent Agreement (filed as Exhibit 4.6 to Form F-1 (File No. 333-260670) filed on January 11, 2022 and incorporated herein by reference).
4.3+	Maris-Tech Ltd. 2021 Share Option Plan (filed as Exhibit 99.1 to Form S-8 (File No. 333-262910) filed on February 22, 2022 and incorporated herein by reference).
4.4+	First Amendment to Maris-Tech Ltd. 2021 Share Option Plan (filed as Exhibit 10.1 to Form 6-K (File No. 001-41260) filed on August 17, 2023 and incorporated herein by reference).

4.5	Loan Facility Agreement, dated May 9, 2021, by and between Maris-Tech Ltd., Israel Bar and Joseph Gottlieb (filed as Exhibit 10.6 to Form F-1 (File No. 333-260670) filed on November 15, 2021 and incorporated herein by reference).
4.6	Amendment No. 1 to Loan Facility Agreement, dated June 30, 2021, by and between Maris-Tech Ltd., Israel Bar and Joseph Gottlieb (filed as exhibit 4.5 to Form 20-F (File No. 001-41260) filed on March 6, 2023 and incorporated herein by reference).
4.7	Amendment No. 2 to Loan Facility Agreement, dated March 2, 2023, by and between Maris-Tech Ltd., Israel Bar and Joseph Gottlieb (filed as Exhibit 10.1 to Form 6-K (File No. 001-41260) filed on March 6, 2023 and incorporated herein by reference).
4.8	Agreement for the Provision of Consulting and Advisory Services, dated April 21, 2021, by and between Maris-Tech Ltd., Alla Felder Ltd. and A. Klainer Finances Ltd. (English Translation) (filed as Exhibit 10.7 to Form F-1 (File No. 333-260670) filed on November 15, 2021 and incorporated herein by reference).
4.9	Amendment to Agreement for the Provision of Consulting and Advisory Services, dated September 17, 2021, by and between Maris-Tech Ltd., Alla Felder Ltd. and A. Klainer Finances Ltd. (filed as Exhibit 10.8 to Form F-1 (File No. 333-260670) filed on November 1, 2021 and incorporated herein by reference).
4.10	Amendment to Agreement for the Provision of Consulting and Advisory Services, dated November 1, 2021, by and between Maris-Tech Ltd., Alla Felder Ltd. and A. Klainer Finances Ltd. (filed as Exhibit 10.9 to Form F-1 (File No. 333-260670) filed on November 1, 2021 and incorporated herein by reference).
4.11	Amended and Restated Option Agreement, entered into as of November 11, 2021, by and among Afik & Co., Doron Afik and Maris-Tech Ltd. (filed as Exhibit 10.11 to Form F-1 (File No. 333-260670) filed on November 15, 2021 and incorporated herein by reference).
4.16	Service Agreement between Maris-Tech Ltd. and Parazero Technologies Ltd. dated July 31, 2023 (filed as Exhibit 4.17 to Form 20-F (File No. 001-41260) filed on March 21, 2024 and incorporated herein by reference).
4.17	Compensation Policy for the Company's Executive Officers and Directors (filed as Exhibit 99.1 to Form 6-K (File No. 001-41260) filed on June 27, 2022 and incorporated herein by reference).
11.1*	Insider Trading Policy.
12.1*	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
12.2*	Certification of the Principal Financial and Accounting Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
13.1%	Certification of the Principal Executive Officer pursuant to 18 U.S.C. 1350, furnished herewith.
13.2%	Certification of the Principal Financial and Accounting Officer pursuant to 18 U.S.C. 1350, furnished herewith.
15.1*	Consent of Kost Forer Gabbay & Kasierer, independent registered public accounting firm and member firm of EY Global.
15.2*	Consent of Kesselman & Kesselman, independent registered public accounting firm and member firm of PricewaterhouseCoopers International Limited.
97.1	Clawback Policy, dated November 3, 2023 (filed as Exhibit 97.1 to Form 20-F (File No. 001-41260) filed on March 21, 2024 and incorporated herein by reference).
101	The following financial information from the Registrant's Annual Report on Form 20-F for the year ended December 31, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Report of Independent Registered Public Accounting Firm; (ii) Consolidated Balance Sheets; (iii) Consolidated Statements of Operations; (iv) Consolidated Statements of Changes in Convertible Preferred Shares and Shareholders' Equity (Deficit); (v) Consolidated Statements of Cash Flows; and (vi) Notes to the Consolidated Financial Statements, tagged as blocks of text and in detail.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Filed herewith.

% Furnished herewith.

+ Management contract or compensatory plan or arrangement.

^ Certain identified information in this exhibit has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it (i) is not material and (ii) is the type that the Company treats as private or confidential.

Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

Maris – Tech Ltd.

Date: March 28, 2025

By: /s/ Israel Bar
Israel Bar
Chief Executive Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

MARIS-TECH LTD.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Maris-Tech Ltd. (the Company) as of December 31, 2024 and 2023, the related statements of operations, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KOST FORER GABBAY & KASIERER
KOST FORER GABBAY & KASIERER
A Member of EY Global

We have served as the Company's auditor since 2023.



Report of Independent Registered Public Accounting Firm

To the board of directors and shareholders of Maris-Tech Ltd.

Opinion on the Financial Statements

We have audited the statements of operations, changes in shareholders' equity and cash flows of Maris-Tech Ltd. (the "Company") for the year ended December 31, 2022 including the related notes (collectively referred to as the financial statements"). In our opinion, the financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2i to the financial statements, the Company changed the manner in which it accounts for leases in 2022.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)

A member firm of PricewaterhouseCoopers International Limited

Tel Aviv, Israel
March 6, 2023

We served as the Company's auditor from 2021 to 2022.

MARIS-TECH LTD.

BALANCE SHEETS

U.S. dollars

	December 31,	
	2024	2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,294,679	\$ 2,050,494
Short-term bank deposits	-	3,148,746
Trade receivables, net	3,494,701	2,990,305
Other current assets and prepaid expenses	322,449	172,809
Inventories	2,609,314	1,959,651
Total current assets	8,721,143	10,322,005
NON-CURRENT ASSETS:		
Restricted deposits	40,553	32,692
Property, plant and equipment, net	407,430	313,649
Severance pay fund	175,463	162,053
Operating lease right-of-use assets	475,515	503,507
Total non-current assets	1,098,961	1,011,901
Total assets	\$ 9,820,104	\$ 11,333,906

BALANCE SHEETS

U.S. dollars (except share data)

	December 31,	
	2024	2023
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short Term bank credit	\$ 9,345	\$ -
Trade payables	1,156,567	1,214,621
Other current liabilities	1,532,493	1,344,284
Current liabilities from related parties	552,213	498,781
Total current liabilities	3,250,618	3,057,686
LONG-TERM LIABILITIES:		
Long-term loans from related parties	45,343	589,468
Non-current operating lease liabilities	268,800	323,071
Accrued severance pay	440,295	469,191
Total long-term liabilities	754,438	1,381,730
Total liabilities	4,005,056	4,439,416
COMMITMENT AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Ordinary Shares, no par value - Authorized: 100,000,000 shares at December 31, 2024 and 2023; Issued: 8,104,180 and 7,999,216 shares at December 31, 2024 and 2023, respectively; Outstanding: 7,983,465 and 7,878,501 shares at December 31, 2024 and 2023, respectively	-	-
Treasury shares at cost (120,715 Ordinary Shares at December 31, 2024 and 2023)	(119,536)	(119,536)
Additional paid-in capital	18,070,599	17,916,149
Accumulated deficit	(12,136,015)	(10,902,123)
Total shareholders' equity	5,815,048	6,894,490
Total liabilities and shareholders' equity	\$ 9,820,104	\$ 11,333,906

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

STATEMENTS OF OPERATIONS

U.S. dollars (except share and per data)

	Year ended December 31,		
	2024	2023	2022
Revenues	\$ 6,078,953	\$ 4,031,103	\$ 2,504,896
Cost of revenues	2,562,832	2,103,707	1,722,104
Gross profit	3,516,121	1,927,396	782,792
Operating expenses:			
Research and development, net	927,048	1,054,895	1,021,869
Sales and marketing	923,439	874,793	604,114
General and administrative	3,014,378	2,927,310	2,840,660
Total operating expenses	4,864,865	4,856,998	4,466,643
Loss from operations	1,348,744	2,929,602	3,683,851
Financial expenses (income), net	(114,852)	(220,006)	4,495
Net loss	\$ 1,233,892	\$ 2,709,596	\$ 3,688,346
Basic and diluted net loss attributable to shareholders per Ordinary Share	\$ (0.16)	\$ (0.34)	\$ (0.49)

Weighted average number of Ordinary Shares used in computing loss per Ordinary Share	7,894,961	7,908,266	7,528,038
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The accompanying notes are an integral part of the financial statements.

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MARIS-TECH LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars (except share and per data)

	Number of ordinary shares issued	Number of preferred shares issued	Treasury shares	Share capital	Additional paid-in capital	Accumulated deficit	Total shareholders' equity (deficit)
Balance as of January 1, 2022	3,085,000	489,812	\$ -	\$ -	\$ 2,124,601	\$ (4,504,181)	\$ (2,379,580)
Issuance of Ordinary Shares and warrants upon IPO, net of issuance costs	4,244,048	-	-	-	15,176,584	-	15,176,584
Exercise of warrants	180,356	-	-	*)	-	-	*)
Conversion of preferred shares into Ordinary Shares	489,812	(489,812)	-	-	-	-	-
Reclassification of warrants to purchase Ordinary Shares from liability to equity	-	-	-	-	412,299	-	412,299
Share-based compensation	-	-	-	-	75,896	-	75,896
Net loss	-	-	-	-	-	(3,688,346)	(3,688,346)
Balance as of December 31, 2022	7,999,216	-	-	*)	17,789,380	(8,192,527)	9,596,853
Share-based compensation	-	-	-	-	126,769	-	126,769
Repurchase of treasury shares	(120,715)	-	(119,536)	-	-	-	(119,536)
Net loss	-	-	-	-	-	(2,709,596)	(2,709,596)
Balance as of December 31, 2023	7,878,501	-	(119,536)	*)	17,916,149	(10,902,123)	6,894,490
Share-based compensation	-	-	-	-	154,450	-	154,450
Exercise of warrants	104,964	-	-	*)	-	-	*)
Net loss	-	-	-	-	-	(1,233,892)	(1,233,892)
Balance as of December 31, 2024	7,983,465	-	(119,536)	*)	\$ 18,070,599	\$ (12,136,015)	\$ 5,815,048

*) Less than \$1.

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

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MARIS-TECH LTD.

STATEMENTS OF CASH FLOWS

U.S. dollars

	Year ended December 31,		
	2024	2023	2022
<u>Cash flows from operating activities:</u>			
Net loss from operations	\$ (1,233,892)	\$ (2,709,596)	\$ (3,688,346)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Depreciation	97,213	60,649	17,211
Change in fair value of warrants	-	-	60,454
Share-based compensation	154,450	126,769	75,896
Financial expense (income)	(6,396)	18,237	(133,816)
Increase in trade receivables, net	(504,396)	(1,383,810)	(1,035,013)
Decrease (increase) in other current assets and prepaid expenses	(149,640)	186,782	(356,718)
Increase in inventories	(649,663)	(977,922)	(590,245)
Increase (decrease) in trade payables	(58,054)	131,276	619,692
Increase in other current liabilities	151,602	633,009	20,625
Increase in current liabilities from related parties	8,089	-	-
Increase (decrease) in accrued severance pay	(28,896)	43,449	153,233
Net cash used in operating activities	(2,219,583)	(3,871,157)	(4,857,027)
<u>Cash flows from investing activities:</u>			
Investment in short-term bank deposits	(7,500,000)	(6,000,000)	(12,500,000)
Proceeds from short-term bank deposits	10,652,059	12,000,000	3,500,000
Investment in severance funds	-	-	(20,103)
Investment in marketable equity securities	-	(200,000)	-
Proceeds from marketable equity securities	-	108,857	-

Purchase of property and equipment	(190,994)	(90,508)	(284,490)
Net cash provided by (used in) investing activities	2,961,065	5,818,349	(9,304,593)
Cash flows from financing activities:			
Repayment of short-term bank credit	-	-	(410,324)
Increase (decrease) in short-term bank credit	9,345	-	-
Repurchase of treasury shares	-	(119,536)	-
Issuance of shares and warrants	-	-	17,824,992
Issuance costs paid	-	-	(2,101,875)
Early repayment of long-term bank loans	-	-	(744,769)
Repayment of loan from shareholder	(498,781)	-	(200,000)
Net cash provided by (used in) financing activities	(489,436)	(119,536)	14,368,024
Increase (decrease) in cash, cash equivalents and restricted cash	252,046	1,827,656	206,404
Cash, cash equivalents and restricted deposits at the beginning of the year	2,083,186	255,530	49,126
Cash, cash equivalents and restricted deposits at the end of the year	\$ 2,335,232	\$ 2,083,186	\$ 255,530
Supplementary disclosure on cash flows:			
Interest paid	\$ 2,572	\$ 5,934	\$ 16,882
Interest received	\$ 255,204	\$ 157,627	\$ 8,686
Supplemental disclosures of non-cash flow information:			
Reclassification of warrants to purchase Ordinary Shares from liability to equity	\$ -	\$ -	\$ 412,299

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

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 1:- GENERAL

a. Introduction:

Maris-Tech Ltd. (the "Company") was incorporated in 2008, in Israel. The Company develops, designs, manufactures and markets high-end digital video and audio products and solutions, including artificial intelligence ("AI") functionality, for the professional as well as the civilian and home security markets, defense and homeland security markets, which can be sold off the shelf or fully customized to meet customers' requirements.

On February 4, 2022, the Company closed an initial public offering ("IPO"). In connection with the IPO (including over-allotment and exercise of pre-funded warrants issued and sold in the IPO), the Company issued and sold 4,244,048 Ordinary shares, no par value per share ("Ordinary Shares"), and warrants ("Warrants") to purchase up to 4,244,048 Ordinary Shares. The Ordinary Shares and Warrants have been listed on the Nasdaq Capital Market ("Nasdaq") under the symbol "MTEK" and "MTEKW," respectively, since February 2, 2022. For further information see Note 12b.

The Company operates in Israel and sells to customers in other countries, including the United States, Australia, United Kingdom, India and Switzerland.

b. Liquidity and capital resources:

The Company has experienced net losses and negative cash flows from operations since its inception and has relied on its ability to fund its operations primarily through proceeds from sales of Ordinary Shares, preferred shares, no par value per share ("Preferred shares") of the Company, warrants and long-term loans from a related party. As of December 31, 2024, and 2023, the Company had working capital of \$5,470,525 and \$7,264,319, respectively, an accumulated deficit of \$12,136,015 and \$10,902,123, respectively, and negative cash flow from operating activity of \$2,219,583 and \$3,871,157 for the twelve months ended December 31, 2024 and 2023, respectively. The Company anticipates such losses will continue until its products reach commercial profitability.

In connection with the IPO (including over-allotment and exercise of pre-funded warrants issued and sold in the IPO), the Company received aggregate gross proceeds of \$17,824,992 before deducting underwriting discounts and commissions and before offering expenses (\$15,101,509 net proceeds after deducting \$1,336,875 of underwriting discounts and commissions and \$1,386,608 of other offering costs).

Based on management's projections of the business results for the next twelve months, management concluded that the Company has sufficient liquidity to satisfy its obligations over the next twelve months from the date of issuance of these financial statements. For further information see Note 17.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

a. Functional currency:

A majority of the Company's revenues are indexed to United States dollars ("dollar" or "U.S. dollars"). In addition, a substantial portion of the Company's costs are indexed to the dollar. The Company's management believes that the dollar is the primary currency of the economic environment in which the Company operates. Thus, the functional and reporting currency of the Company is the dollar. Accordingly, monetary accounts maintained in currencies other than the dollar are re-measured into dollars in accordance with Accounting Standards Codification ("ASC") No. 830 "Foreign Currency Matters". All transaction gains and losses from the re-measured monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate.

b. Use of estimates:

The preparation of the financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during reported periods. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. Actual results could differ from those estimates.

c. Cash equivalents:

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less, at acquisition.

d. Bank deposits:

Bank deposits with maturities of more than three months but less than one year are included in short-term bank deposits. Such short-term bank deposits are stated at cost, which approximate market values.

Bank deposits with maturities of more than one year are included in long-term bank deposits. Long-term bank deposits are stated at cost, which approximates market values.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Trade receivables:

Accounts receivable consists of invoiced amounts and unbilled receivables, net of allowance for credit losses. Unbilled receivables represent revenue recognized for which the Company expects to invoice subsequent to the period end. The allowance for credit losses is based on the Company's assessment of the collectability of accounts. The Company regularly assessed collectability based on a combination of factors, including an assessment of the current customer's aging balance, the nature and size of the customer, the financial condition of the customer, and the amount of any receivables in dispute. Accounts receivable deemed uncollectible are charged against the allowance for credit losses when identified. The financial statements include an allowance for credit losses for which collection of the receivable is not probable in total amount of \$810,336 and \$324,960 as of December 31, 2024 and 2023, respectively. In determining the adequacy of the allowance, consideration is given to each trade receivable historical experience, the age of the trade receivable, adjusted to take into account current market conditions and information available about specific debtors, including their financial condition, current payment patterns, the volume of their operations, and evaluation of the security received from them or their guarantors. Payment terms between the Company and its customers are typically up to 150 days, and vary by the type of customer, country of sale and the products or services offered.

f. Inventories:

Inventories are stated at the lower of cost or net realizable value. Inventory write-off is provided to cover risks arising from slow-moving items, technological obsolescence, excess inventories and discontinued products. Inventory write-offs totaled \$0, \$78,485 and \$11,856 in 2024, 2023 and 2022, respectively, and have been included in cost of revenues in the Company's statements of operations.

Cost is determined as follows:

Raw materials and components - using the "first-in, first-out" method.

Work-in-progress and finished products - raw materials as above with the addition of subcontracting costs, calculated on the basis of direct subcontractors costs and with direct overhead costs.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company assesses the carrying value of its inventory for each reporting period to ensure inventory is reported at the lower of cost or net realizable value in accordance with ASC No. 330-10-35, "Inventory". Charges for obsolete and slow-moving inventories are recorded based upon an analysis of specific identification of obsolete inventory items and quantification of slow-moving inventory items. These assessments consider various factors, including historical usage rate, technological obsolescence, estimated current and future market values and new product introduction. In cases when there is evidence that the anticipated utility of goods, in their disposal in the ordinary course of business, will be less than the historical cost of the inventory, the Company recognizes the difference as a current period charge to earnings and carries the inventory at the reduced cost basis until it is sold or disposed of.

g. Property, plant and equipment, net:

Property, plant and equipment is comprised of the below and stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	%
Computers and manufacturing equipment	33
Office furniture and equipment	6 - 15
Leasehold improvements	Over the shorter of the term of the lease or the useful life of the asset

h. Impairment of long-lived assets:

Property and equipment and right-of-use asset for leases subject to depreciation are reviewed for impairment in accordance with ASC No. 360, "Accounting for the Impairment or Disposal of Long-Lived Assets," whenever events or changes in circumstances indicate that the carrying amount of an asset (asset group) may not be recoverable. Recoverability of assets (asset group) to be held and used is measured by a comparison of the carrying amount of an asset (asset group) to the future undiscounted cash flows expected to be generated by the assets (asset group). If such assets (asset group) are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets (asset group) exceeds the fair value of the assets (asset group). During 2024, 2023 and 2022, no impairment losses were recorded.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Leases:

The Company adopted ASC 842, Leases ("ASC 842") on January 1, 2022, using a modified retrospective basis and applied the practical expedients related to the transition. The Company determines if an arrangement is a lease and the classification of that lease at inception based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefits from the use of the asset throughout the period, and (3) whether the Company has a right to direct the use of the asset. The Company elected to not recognize a lease liability and a right-of-use ("ROU") asset for leases with a term of twelve months or less. Lastly, the Company also elected the practical expedient to not separate lease and non-lease components for its leases.

ROU assets and lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. ROU assets are initially measured at amounts, which represents the discounted present value of the lease payments over the lease, plus any initial direct costs incurred. The lease liability is initially measured based on the discounted present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. The implicit rate within the operating leases is generally not determinable, therefore the Company uses the Incremental Borrowing Rate ("IBR") based on the information available at commencement date in determining the present value of lease payments. The Company's IBR is estimated to approximate the interest rate for collateralized borrowing with similar terms and payments and in economic environments where the leased asset is located.

An option to extend the lease is considered in connection with determining the ROU asset and lease liability when it is reasonably certain that the Company will exercise that option. An option to terminate the lease is considered unless it is reasonably certain that the Company will not exercise the option.

j. Revenue recognition:

The Company generates revenues from sales of products manufactured based on the Company's technology. The Company develops, design and manufactures both standard and customizable high-end digital Video & Audio products. The Company's products include proprietary software (firmware) embedded into the tangible products and is not sold separately. The Company only sells its products to end customers with no right of return.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company applies ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"). Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. In accordance with ASC 606, the entity performs the following five steps:

- (1) Identify the contract(s) with a customer,
- (2) Identify the performance obligations in the contract,
- (3) Determine the transaction price,
- (4) Allocate the transaction price to the performance obligations in the contract, and
- (5) Recognize revenue when (or as) the entity satisfies a performance obligation.

Identifying the contract with a customer:

The Company accounts for a contract with a customer when it has approval and commitment from both parties, the rights of the parties and payment terms are identified and agreed upon, the contract has commercial substance and collectability of consideration is probable.

Identifying the performance obligations in the contract:

The Company's sales transactions include a single performance obligation which is the delivery of the product to the customer. The Company is not obligated and does not provide the customer with an updated version of the products' embedded software following the initial transaction. Therefore, the Company's transactions do not include any performance obligation relating to potential upgrades or updates for the software or product.

In certain cases, the Company customizes its products based on its customers' requirements (Proof of Concept ("POC") transactions). In addition, commencing 2021, the Company also enters into several transactions in which it develops a specialized product, based on the customer's requirements (Non-Recurring Engineering ("NRE") transactions). In these transactions, the Company has determined that the development or the customization and the delivery of these products are not distinct within the context of the contract, since the nature of the Company's promise is to transfer a combined output to which each of these components is an input. Therefore, these transactions include a single performance obligation which is the customized product.

The Company also provides distinct customer support services.

Determining the transaction price:

Revenue is measured based on the consideration specified in the contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties (such as sales tax). The Company has elected to apply the practical expedient for financing component for transactions in which the difference between the payment date and the revenue recognition timing is up to 12 months.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Recognize revenue when (or as) the entity satisfies a performance obligation:

The Company recognizes revenue when it satisfies a performance obligation by transferring control over its product to a customer based on the shipment terms. In most cases, control is transferred upon shipment.

As for the POC and NRE transactions, the Company analyzed the criteria in ASC 606 to determine whether control over products sold under the contracts is transferred over time. Mainly, whether the Company's performance does not create an asset with an alternative use to the Company, and if it has an enforceable right to payment for performance completed to date. In its POC transactions, the Company has an enforceable right to payment for performance completed through the term of the contract with its customers. However, the customized product has an alternative use for the Company, therefore, none of the conditions stipulated in ASC 606 are met for recognizing revenue over time. Accordingly, revenue from POC transactions is recognized at a point in time, upon shipment of the product to the customer.

In the NRE transactions the Company determines that the specialized product does not have an alternative use for the Company, and it has an enforceable right to payment for performance completed through the term of the contract because it best depicts the transfer of control to the customer, which occurs as costs are incurred on the contracts. Therefore, in these transactions, revenue is recognized over time using the cost-to-cost method. The Company determined that this method under ASC 606 is the best measure of progress towards satisfying the performance obligation and reflects a faithful depiction of the transfer of goods and services. The Company uses significant judgment when it determines the costs expected to be incurred upon satisfying the identified performance obligation.

Customer support services are recognized ratably over the contract period, as these services have a continues pattern of transfer to the customer during the contract period.

k. Warrant classification:

When the Company issues freestanding instruments, it first analyzes the provisions of the Financial Accounting Standards Board ("FASB") ASC Topic 480, Distinguishing Liabilities from Equity ("ASC 480") in order to determine whether the instrument should be classified as a liability, with subsequent changes in fair value recognized in the statements of operations in each period. If the instrument is not within the scope of ASC 480, the Company further analyzes the provisions of FASB ASC Topic 815, derivatives and hedging ("ASC 815-10") in order to determine whether the instrument is considered indexed to the entity's own stock and qualifies for classification within equity. If the provisions of ASC 815-10 for equity classification are not met, the instrument is classified as a liability, with subsequent changes in fair value recognized in the statements of operations in each period.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Warranty reserve:

The Company provides a one-year standard warranty for its products. The Company records a provision for the estimated cost to repair or replace products under warranty at the time revenues are recognized based on the Company's historical experience. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

The following table sets forth activity in the Company's accrued warranty account for each of the years ended December 31, 2024, 2023 and 2022:

Year ended December 31,

	2024	2023	2022
Balance at the beginning of the year	\$ 40,311	\$ 25,049	\$ 20,758
Cost incurred	(9,331)	(15,334)	(3,220)
Expense (income) recognized	(15,980)	30,596	7,511
Balance at the end of the year	\$ 15,000	\$ 40,311	\$ 25,049

m. Shipping and handling fees and costs:

Shipping and handling fees charged to the Company's customers are recognized as product revenue in the period shipped and the related costs for providing these services are recorded as a cost of revenues in the statements of operations.

n. Research, development costs:

Research and development costs, which consist mainly of labor costs, materials and subcontractor costs, are charged to operations as incurred.

According to ASC Topic 350, Intangibles - Goodwill and Other, software that is part of a product or process to be sold to a customer shall be accounted for under ASC subtopic 985-20. The Company's products contain embedded software which is an integral part of these products because it allows the various components of the products to communicate with each other and the products are clearly unable to function without this coding. Based on the Company's product development process, the Company does not incur material costs after the point in time at which the product as a whole reaches technological feasibility. Therefore, research and development costs are charged to the statement of operations as incurred.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

o. Government grants:

The Company received non-royalty-bearing and royalty-bearing grants from the Israel Innovation Authority ("IIA") for approved research and development projects. These grants are recognized at the time the Company is entitled to such grants on the basis of the costs incurred as provided by the relevant agreement and included as a deduction from research and development expenses, net.

Research and development grants deducted from research and development expenses, net amounted to \$307,962, \$259,473 and \$98,138 for the years ended December 31, 2024, 2023 and 2022, respectively.

p. Basic and diluted net loss per share:

Basic net loss per share is computed based on the weighted average number of Ordinary Shares outstanding during each period. Diluted net loss per share is computed based on the weighted average number of Ordinary Shares outstanding during each period, plus potential dilutive Ordinary Shares considered outstanding during the period, if any, in accordance with ASC No. 260, "Earnings Per Share".

The total number of Ordinary Shares related to outstanding share options excluded from the calculation of diluted income (loss) per share as they would have been anti-dilutive was 5,895,983, 5,685,694 and 5,206,700 for the years ended December 31, 2024, 2023 and 2022, respectively.

q. Fair value of financial instruments:

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs that are supported by little or no market activity.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company, in estimating fair value for financial instruments, determined that the carrying amounts of cash and cash equivalents, short-term deposits, trade receivables, restricted deposits including deposits for employee benefits and trade payables are equivalent to, or approximate their fair value due to the short-term maturity of these instruments. The liabilities include long-term loans from related parties bear no interest and are not linked to any index at approximate market rates.

r. Segments:

The Company operates in one segment. Management does not segregate its business for internal reporting. The Company's chief operating decision maker ("CODM"), who is the Chief Executive Officer, evaluates the performance of its business based on financial data consistent with the presentation in the accompanying financial statements. The Company concluded that its unified business is conducted globally and accordingly represents one operating segments.

s. Income taxes:

The Company accounts for taxes on income in accordance with ASC Topic 740, Income Taxes, which prescribes the use of the asset and liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that a portion or all of the deferred tax assets will not be realized, based on the weight of available positive and negative evidence. Deferred tax liabilities and assets are classified as non-current.

The Company accounts for uncertain tax positions in accordance with ASC 740-10. ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than not likely to be realized upon ultimate settlement.

The Company accounts for interest and penalties as a component of income tax expense. There were no uncertain tax positions as of December 31, 2024.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Severance pay:

Effective July 1, 2022, the Company's agreements with employees, are subject to Section 14 of the Severance Pay Law, 1963. Up to July 1, 2022, the liability of the Company for severance pay for employees, was calculated pursuant to Israeli severance pay law based on the most recent salary of each employee multiplied by the number of years of employment for these employee as of June 30, 2022. The Company's liability for the period until June 30, 2022, is fully provided for by monthly deposits with severance pay funds, insurance policies and an accrual. The deposited funds include profits and losses accumulated up to June 30, 2022. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israeli severance pay law or labor agreements. The value of these policies is recorded as an asset on the Company's balance sheets.

Effective July 1, 2022, the Company's agreements with new employees in Israel are subject to Section 14 of the Severance Pay Law, 1963, and effective July 1, 2022, also with existing employees. Upon contribution of the full amount based on the employee's monthly salary for each year of service, no additional obligation exists regarding the matter of severance pay, and no additional payments is made by the Company to the employee. Furthermore, the related obligation and amounts deposited on behalf of the employee for such obligation are not stated on the balance sheet, as the Company is legally released from any obligation to employees once the required deposit amounts have been paid.

Severance pay expenses for the years ended December 31, 2024, 2023 and 2022 amounted to \$139,137, \$81,212 and \$61,169, respectively.

u. Concentrations of credit or business risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, bank deposits, trade receivables and trade payables.

Cash equivalents and bank deposits are invested mainly in NIS and U.S. dollars with major banks in Israel. Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

Most of the Company's trade receivables are derived from sales to large and financially secure organizations. In determining the adequacy of the allowance, management bases its opinion, inter alia, on the estimated risks, current market conditions and in reliance on available information with respect to the debtor's financial position. See Note 10b for a discussion of the Company's major customers.

The Company acquires certain component parts for its products from market leading suppliers that are single source manufacturers. In order to mitigate the risk and as a redundant solution, the Company designs similar products based on component parts from different suppliers.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

v. Commitments and contingencies:

Liabilities for loss contingencies arising from claims, assessments, litigations, fines and penalties and other sources are recognized when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Gain contingencies are recognized when they are realized or when all related contingencies have been resolved.

w. Share-based compensation:

The Company applies ASC 718, Share-based Payment ("ASC 718"). ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the awards is recognized as an expense over the requisite service periods in the Company's statements of operations.

The Company measures the compensation cost related to the options awarded on the grant date and recognize the cost on a straight-line method over the requisite service period of the awards, including awards with graded vesting and no additional conditions for vesting other than service conditions. The Company accounts for forfeitures as they occur.

Fair value of the equity instrument issued to a non-employee is measured as of the grant date. The fair value of the awards is recognized over the vesting period, which coincides with the period that the counter-party is providing services to the Company.

The Company used the Black Scholes option-pricing model to determine the fair value of options granted during 2022 and the repricing on May 2023. The following assumptions were applied in determining the options' fair value on their grant date:

	2024	2023
Risk-free interest rate (a)	3.84%-3.88%	3.51%-3.83%
Expected option term (years) (b)	3.88-5	2.6-4.2
Expected share price volatility (c)	56.1%-58.2%	55.9%-63.1%
Dividend yield (d)	-	-
Weighted average grant date fair value	\$0.48-0.79	\$ 0.35

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

These assumptions and estimates were determined as follows:

- Risk-free interest rate: The risk-free rate for the expected term of the options is based on the Black Scholes option-pricing model on the yields of U.S. Treasury securities with maturities appropriate for the expected term of employee share option awards.
- Expected term: The expected term represents the period that options are expected to be outstanding. The Company determines the expected term using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.
- Expected volatility: As the Company has a short trading history for its Ordinary Shares, the expected volatility is derived from the average historical share volatilities of several unrelated public companies within the Company's industry that the Company considers to be comparable to its own business over a period equivalent to the option's expected term.
- Expected dividend yield: The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future. As a result, an expected dividend yield of zero percent was used.

x. Treasury shares:

During 2023, the Company repurchased 120,715 Ordinary Shares on the open market and holds such shares as treasury shares. The Company presents the cost to repurchase treasury shares as a reduction of shareholders' equity. Treasury shares are not entitled to vote on any matters brought before the shareholders.

y. Cash and cash equivalents in statement of cash flows:

The Company implements the Accounting Standards Update ("ASU") 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires amounts generally described as restricted cash and restricted cash equivalents to be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and cash equivalents reported within the accompanying balance sheets that sum to the total of the same such amounts presented in the accompanying statements of cash flows:

	December 31,	
	2024	2023
Cash and cash equivalents	\$ 2,294,679	\$ 2,050,494
Restricted deposits	40,553	32,692
Total cash, cash equivalents and restricted deposits presented in the statements of cash flows	\$ 2,335,232	\$ 2,083,186

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

z. Recently issued accounting pronouncements adopted:

As an "Emerging Growth Company", the Jumpstart Our Business Startups Act ("JOBS Act") allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended

transition period under the JOBS Act. The adoption dates discussed below reflect this election.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The guidance is effective for the Company beginning January 1, 2023. The adoption of this standard did not have a material impact on the Company's financial statements.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. The Company adopted this guidance for its annual period beginning January 1, 2024. For further information, see Note 10.

aa. Recently issued accounting pronouncements not yet adopted:

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2025, with early adoption permitted. The Company is currently evaluating the impact on its financial statements disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosure (Subtopic 220-40), Disaggregation of Income Statement Expenses, which requires disclosure of disaggregated information about certain expense captions presented in the Consolidated Statements of Operations as well as disclosure about selling expense. The guidance will be effective for the Company for annual periods beginning January 1, 2027 and interim periods beginning January 1, 2028, with early adoption permitted. It could be applied either prospectively or retrospectively. The Company is currently evaluating the impact on its financial statements disclosures.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 3:- RESTRICTED DEPOSITS

Balances at December 31, 2024 and 2023 consisted of bank deposits. The bank deposits bore annual interest of 0.35%-3.3% as of December 31, 2024 and 2023.

Restricted deposits, as of December 31, 2024 and 2023, are restricted due to guarantees made with regards to lease payments for the Company's office space. See Note 6 for additional information regarding this lease.

NOTE 4:- INVENTORIES

	December 31,	
	2024	2023
Raw materials	\$ 1,175,792	\$ 1,101,957
In process and finished products	1,433,522	857,694
	<u>\$ 2,609,314</u>	<u>\$ 1,959,651</u>

NOTE 5:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2024	2023
Cost:		
Computers, software and manufacturing equipment	\$ 169,219	\$ 52,977
Leasehold improvement	247,792	186,494
Office furniture and equipment	181,574	168,120
Total cost	<u>598,585</u>	<u>407,591</u>
Total accumulated depreciation	<u>191,155</u>	<u>93,942</u>
Property and equipment, net	<u>\$ 407,430</u>	<u>\$ 313,649</u>

Depreciation expenses amounted to \$97,213, \$60,649 and \$17,211 for the years ended December 31, 2024, 2023 and 2022, respectively.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 6:- LEASES

As of December 31, 2024, the Company is a party to three lease agreements for its facilities in Israel, which all expire in October 2027. In addition, the Company also leases vehicles under various operating leases, the latest of which expires in 2027.

Aggregate lease payments for the right of use assets over the remaining lease period as of December 31, 2024, are as follows:

	December 31, 2024
2025	\$ 168,105
2026	168,105
2027	<u>126,203</u>
Total undiscounted cash flows	462,413
Less - imputed interest	<u>29,218</u>
Present value of operating lease liabilities	<u>\$ 433,195</u>

The weighted-average remaining lease terms and discount rates for all of operating leases were as follows as of December 31, 2024:

Weighted-average remaining lease term (years)	<u>2.77</u>
Weighted-average discount rate	<u>5.50%</u>

The weighted-average remaining lease terms and discount rates for all of operating leases were as follows as of December 31, 2023:

Weighted-average remaining lease term (years)	<u>3.81</u>
Weighted-average discount rate	<u>5.08%</u>

Total cash payments for operating leases for the years ended December 31, 2024, 2023 and 2022 were \$208,055, \$96,910 and \$114,749, respectively.

Total rent expenses for the years ended December 31, 2024, 2023 and 2022 were \$168,845, \$153,833 and \$117,314, respectively.

Total right-of-use assets obtained in the exchange for operating lease liabilities for the year ended December 31, 2024 was \$139,254.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 7:- OTHER CURRENT LIABILITIES

	December 31,	
	2024	2023
Employees and related expenses	\$ 941,487	\$ 760,350
Provision for warranty	15,000	40,311
Accrued expenses	230,742	209,212
Current maturities of operating leases	164,395	127,790
Government authorities	<u>180,869</u>	<u>206,621</u>
	<u>\$ 1,532,493</u>	<u>\$ 1,344,284</u>

NOTE 8:- COMMITMENTS AND CONTINGENCIES

a. Liens:

The Company's long-term restricted deposits in the amounts of \$40,553 has been pledged as security in respect of guarantees granted to the Company's landlords as part of the office lease agreement. Such deposit cannot be pledged to others or withdrawn without the consent of the lender.

b. Israeli Innovation Authority grants:

The Company has entered into several research and development programs, pursuant to which the Company received grants from the IIA, and are therefore in some cases obligated to pay royalties to the IIA at a rate of 3% to 5% on sales proceeds from products that were developed under IIA programs up to the total amount of grants received (linked to the U.S. dollar with annual interest at Secured Overnight Financing Rate ("SOFR") as of the date of approval, for programs approved from January 1, 1999 and thereafter). The Company may be required to pay additional royalties upon the occurrence of certain events as determined by the IIA, that are within the control of the Company. No such events have occurred or were probable of occurrence as of the balance sheet date with respect to these royalties.

As of December 31, 2024, the aggregate contingent liability to the IIA (including interest) amounted to \$608,000.

In August 2022, the Company received approval for a joint grant with Ben Gurion University, Be'er Sheva, Israel, from the IIA for the joint development of AI and machine learning (ML) based system for detecting, diagnosing and predicting faults and malfunction in drones. This grant is not subject to royalty payments to the IIA. The total approved budget the Company received for the first year of the joint project amounts to NIS 1,314,024 (approximately \$360,303). The grant represents 66% of the total budget for the project (approximately \$237,800). As of December 31, 2024, the Company had received NIS 806,232 (approximately \$221,067) from the IIA with respect to this program.

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NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 8:- COMMITMENTS AND CONTINGENCIES (Cont.)

In June 2023, the Company received grant approval from the IIA in the amount of NIS 1,209,797 (approximately \$331,724) to support the first-year development of an innovative system for onboard situation awareness for nanosatellite platforms. The grant represents 50% of the total budget for the first year of the project. As of December 31, 2024, the Company had received NIS 1,088,817 (approximately \$298,551) from the IIA with respect to this program.

In November 2023, the Company received grant approval for the second year of the joint project with Ben Gurion University, Be'er Sheva, Israel, from the IIA. The total approved budget the Company received for the second year of the joint project amounts to NIS 935,544 (approximately \$256,524). The grant represents 66% of the total budget for the project (approximately \$169,306). As of December 31, 2024, the Company had received NIS 543,700 (approximately \$149,081) from the IIA with respect to this program.

Total research and development income recorded in the statements of operations) for the year ended December 31, 2024 was NIS 1,152,294 (approximately \$307,962).

NOTE 9:- REVENUES

Disaggregation of revenue:

The following table disaggregates the Company's revenues based on the nature and characteristics of its contracts, for the years ended December 31, 2024, 2023 and 2022:

	Year ended December 31,		
	2024	2023	2022
Sales of products	\$ 4,888,968	\$ 3,985,773	\$ 2,085,018
NRE&POC Contracts and related services	1,189,985	45,330	419,878
	<u>\$ 6,078,953</u>	<u>\$ 4,031,103</u>	<u>\$ 2,504,896</u>
		December 31,	
		2024	2023
Contract balances:			
Unbilled receivables		\$ -	\$ 182,735

Remaining performance obligations represent contracted revenues that have not yet been recognized, and which includes non-cancelable contracts that will be invoiced and recognized as revenue in future periods. The Company has elected the optional exemption, which allows for the exclusion of the amounts for remaining performance obligations that are part of contracts with an original expected duration of one year or less.

NOTE 10:- GEOGRAPHIC INFORMATION AND SEGMENTS

a. Revenues by geographical areas from external customers:

	Year ended December 31,		
	2024	2023	2022
Israel	\$ 5,541,476	\$ 3,054,021	\$ 1,311,524
United Kingdom	228,795	446,684	836,443
Australia	3,750	469,365	-
USA	203,595	950	301,990
Rest of the world	101,337	60,083	54,980
	<u>\$ 6,078,953</u>	<u>\$ 4,031,103</u>	<u>\$ 2,504,937</u>

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NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 10:- GEOGRAPHIC INFORMATION AND SEGMENTS (Cont.)

b. Major customers by percentage from total revenues:

	Year ended December 31,		
	2024	2023	2022
		%	
Customer A	29.0	17.1	-
Customer B	17.1	35.4	25.1
Customer C	15.6	4.6	-
Customer D	3.8	11.1	33.4
Customer E	3.3	-	12.0
Customer F	0.2	-	5.3

- c. The Company's long-term assets and operating lease right-of-use assets are located in Israel.
- d. The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is regularly evaluated by the CODM, who is the Chief Executive Officer, in deciding how to allocate resources and assess performance. The Company's CODM evaluates the Company's financial information and resources and assesses the performance of these resources on a consolidated basis. There is no expense or asset information, that are supplemental to those disclosed in these financial statements, that are regularly provided to the CODM. The allocation of resources and assessment of performance of the operating segment is based on net loss as shown in the statements of operations. The CODM considers net loss in the annual forecasting process and reviews actual results when making decisions about allocating resources. Since the Company operates as one operating segment, financial segment information, including profit or loss and asset information, can be found in the financial statements.

NOTE 11:- NET LOSS PER SHARE

The following table presents the computation of basic and diluted net loss per share:

	Year ended December 31,		
	2024	2023	2022
Numerator:			
Net loss	\$ 1,233,892	\$ 2,709,596	\$ 3,688,346
Denominator:			
Weighted average shares – denominator for basic and diluted net loss per share	7,894,961	7,908,266	7,528,038
Net loss per share basic and diluted	\$ 0.16	\$ 0.34	\$ 0.49

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 12:- EQUITY

- a. Share capital:

As of December 31, 2024, the Company's share capital was composed of 8,104,180 Ordinary Shares issued and 7,983,465 Ordinary Shares outstanding.

- b. IPO:

On February 4, 2022, in connection with the closing of the IPO, the Company issued and sold (i) 3,690,477 units ("Units"), each consisting of one Ordinary Share and one Warrant to purchase one Ordinary Share, and (ii) 10,000 pre-funded units ("Pre-Funded Units"), each consisting of one pre-funded warrant to purchase one Ordinary Share ("Pre-Funded Warrants") and one Warrant. The Units were sold at an IPO price of \$4.20 per Unit and the Pre-Funded Units were sold at an IPO price of \$4.199 per Pre-Funded Unit.

The Warrants have an exercise price of \$5.25 per Ordinary Share and may be exercised until February 4, 2027, and the Pre-Funded Warrants have an exercise price of \$0.001 per Ordinary Share. In addition, the Company also issued and sold 65,247 Ordinary Shares at a price of \$4.199, 478,324 Pre-Funded Warrants at a price of \$4.198 per Pre-Funded Warrant and 543,571 Warrants at a price of \$0.001 per Warrant pursuant to the partial exercise of the over-allotment option and issued 488,324 Ordinary Shares pursuant to the exercise of Pre-Funded Warrants at an exercise price of \$0.001 per Ordinary Share.

The Company also issued warrants to purchase up to 185,023 Ordinary Shares to the representative of the underwriters in the IPO (the "Representative's Warrants"). The Representative's Warrants have an exercise price equal to \$5.25, were exercisable beginning on August 3, 2022, and will expire on February 4, 2027.

In connection with the IPO, the Company received gross proceeds of \$17,824,992 before deducting underwriting discounts and commissions and before offering expenses (\$15,101,509 net proceeds after deducting \$1,336,875 of underwriting discounts and commissions and \$1,386,608 of other offering costs). The Ordinary Shares and warrants were approved for listing on the Nasdaq and commenced trading under the symbol "MTEK" and "MTEKW," respectively, on February 2, 2022.

Certain actions were completed in connection with the closing of the IPO, including:

- The 489,812 preferred shares issued and outstanding as of immediately prior to the IPO were automatically converted into 489,812 Ordinary Shares at the closing.
- The Company issued to two of its advisors (the "Advisors") warrants to purchase up to 180,409 Ordinary Shares, exercisable until April 21, 2026, at an exercise price of \$0.0004 per Ordinary Share ("Warrants A"). The fair value of Warrants A of \$ 191,089 was recorded as an issuance cost. In August 2022, the Advisors exercised 180,409 Warrants A on a cashless basis and the Company issued to the Advisors 180,356 Ordinary Shares. In connection with the agreement between the parties, the Company recognized during 2021 a provision of \$75,000 which was classified into shareholders' equity upon the closing of the IPO.
- The Company also issued to the Advisors warrants to purchase up to 400,472 Ordinary Shares, exercisable until February 4, 2027, at an exercise price of \$4.20 per Ordinary Share ("Warrants B"). The fair value of Warrants B of \$504,595 was recorded as an issuance cost. As part of the Repricing, as defined in Note 14, 200,236 Warrants B were included in the Repricing. For further information, see Note 14. During 2024, the Advisors exercised 300,236 Warrants B on a cashless basis and the Company issued to the Advisors 104,964 Ordinary Shares.
- The Company issued to its legal advisor for the IPO warrants to purchase up to 145,506 Ordinary Shares, exercisable until February 4, 2027, at an exercise price of \$4.20 per Ordinary share. The fair value of the warrants of \$183,338 was recorded as an issuance cost.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 12:- EQUITY (Cont.)

- c. On January 15, 2024, the Company issued to two of its advisors warrants to purchase up to 20,000 Ordinary Shares, exercisable until January 14, 2029, at an exercise price of \$1.06 per Ordinary Share. The fair value of the warrants of \$11,000 was calculated based on the Black-Scholes model.

- d. Treasury shares:

On June 1, 2022, the Company announced that its board of directors has authorized a share repurchase plan (the "Repurchase Plan") allowing the Company to invest up to \$1,000,000 to repurchase its Ordinary Shares.

The Repurchase Plan authorized the Company's management to repurchase Ordinary Shares, from time to time, in open market transactions, and/or in privately negotiated transactions or in any other legally permissible ways, depending on market conditions, share price, trading volume and other factors. Such repurchases will be made in accordance with applicable U.S. securities laws and regulations, under the U.S. Securities Exchange Act of 1934, as amended, and applicable Israeli law, and was subject to the approval of the Israeli court which was received on September 30, 2022.

On March 31, 2023, the Company repurchased 120,715 Ordinary Shares in the aggregate amount of \$119,536, representing approximately 1.5% of the issued and outstanding Ordinary Shares, at an average price of \$0.987 per Ordinary Share and completed the Repurchase Plan.

NOTE 13:- WARRANTS

The fair value of the 489,812 warrants issued in March 2021, classified as a liability, as of February 4, 2022, was calculated using the Black-Scholes option price model based on the following assumptions:

Expected volatility (%)	55.82
Risk-free interest rate (%)	1.69
Expected life (years)	4.19
Value per share	3.12
Exercise price (U.S. dollars per share)	6.1248

The fair value of the warrants as of February 4, 2022 was \$412,299. The Company classifies the warrants in the Level 3 category within the fair value hierarchy. The warrants were classified into shareholders' equity upon the closing of the IPO, see Note 12b. The warrants' fair value revaluation was \$60,454 and is recorded in finance expenses in the statement of operation for the period ended December 31, 2022.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 14:- SHARE BASED COMPENSATION

In June and July 2021, the Company's board of directors approved the issuance of options to purchase an aggregate of 285,422 Ordinary Shares, to be granted under the Company's 2021 Share Option Plan, to certain employees, directors and consultants, upon the successful completion of an initial public offering.

On May 15, 2023, the compensation committee of the board of directors of the Company, approved the repricing of the exercise price of the existing options to purchase Ordinary Shares of certain of the Company's officers, directors and service providers, who currently provide services to the Company, from \$4.20 to \$1.00 per share (the "Repricing"). Other than the exercise price, all other terms of the existing options granted to such officers and directors did not change. On June 28, 2023, the Company's shareholders approved the Repricing. The Repricing was recognized as a modification with additional expense of \$21,604 and \$72,394 for the year ended December 31, 2024 and 2023, respectively.

On May 15, 2023, the board of directors of the Company approved an increase in the number of Ordinary Shares available for issuance under the Maris-Tech Ltd. 2021 Share Option Plan by 491,500 from 308,500 to 800,000 and a First Amendment to the Maris-Tech Ltd. 2021 Share Option Plan, giving effect to the increase.

Share-based compensation was recorded in the following items within the statements of operations:

	Year ended December 31, 2024
Cost of revenues	\$ 24,810
Research and development, net	38,514
Sales and marketing	18,315
General and administrative*	72,811
Total expenses	\$ 154,450

- Including \$2,643 related to warrants to purchase up to 20,000 Ordinary Shares issued to two advisors (see Note 12).

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

NOTE 14:- SHARE BASED COMPENSATION (Cont.)

A summary of the share option activity for the year ended December 31, 2024 is as follows:

	Number of options	Weighted average exercise price*)	Weighted- average remaining contractual term (in years)	Aggregate intrinsic value*)
Options outstanding as of January 1, 2024	216,426	\$ 1.00	2.89	\$ 10,821
Granted	488,526	\$ 1.07	4.12	\$ 1,939,448
Forfeited	10,000	\$ 1.07	-	\$ 39,800
Options outstanding as of December 31, 2024	694,952	\$ 1.05	3.45	\$ 2,772,858
Options exercisable as of December 31, 2024	146,328	\$ 1.00	2.1	\$ 591,165

*) Reflects the Repricing.

The weighted-average grant-date fair value of options as of December 31, 2024 and 2023 was \$1.06 and \$1.09, respectively. Options to purchase an aggregate of 287,922 Ordinary Shares were granted during 2022 and no options were granted during 2023.

As of December 31, 2024, the Company had 548,624 unvested options. As of December 31, 2024, the unrecognized compensation cost related to all unvested options of \$334,168 is expected to be recognized as an expense on a straight-line basis over a weighted-average period of 2.57 years.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 15:- INCOME TAXES

a. Corporate tax rate:

The standard tax rate in Israel was 23% during the years ended December 31, 2024 and 2023.

b. Law for the Encouragement of Capital Investments, 1959:

The Law for the Encouragement of Capital Investments, 1959, generally referred to as the Investment Law, provides certain incentives for capital investments in production facilities (or other eligible assets).

The Investment Law was significantly amended effective on January 1, 2011, and on January 1, 2017 under amendment 73, or the 2017 Amendment. The 2017 Amendment introduces new benefits for Technological Enterprises, alongside the existing tax benefits.

The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and is effective as of January 1, 2017. The 2017 Amendment included new tax benefits for "Technological Enterprises," as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technology company satisfying certain conditions should qualify as a "Preferred Technology Enterprises," or PTE, granting a 12% tax rate in central Israel on income deriving from Benefited Intangible Assets, subject to a number of conditions being fulfilled, including a minimal amount or ratio of annual R&D expenditure and R&D employees, as well as having at least 25% of annual income derived from exports to large markets. PTE is defined as an enterprise which meets the aforementioned conditions and for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion.

The Company has not adopted the PTE status currently, but believe it is eligible for the PTE status in future tax years.

c. Tax benefits under the Law for the Encouragement of Industry (Taxation), 1969:

Management believes that the Company currently qualifies as an "industrial company" under the above law and as such, is entitled to certain tax benefits including accelerated depreciation, deduction of public offering expenses in three equal annual installments and amortization of other intangible property rights for tax purposes.

d. Deferred tax assets and liabilities:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred taxes are computed using the standard tax rates of 23%. The expected tax rate can be lower as a preferred technologic enterprise and depends on the fulfillment of conditions set forth in the law.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 15:- INCOME TAXES (Cont.)

Significant components of the Company deferred tax assets and liabilities are as follows:

	December 31,	
	2024	2023
Net operating loss carryforward	\$ 2,066,962	\$ 1,845,821
Research and development expenses	205,513	218,728
Provision for warranty	3,450	9,584
Provision for vacation and convalescence	82,579	69,048
Provision for severance, net	60,911	70,656
Provision for credit losses	186,377	74,741
Issuance cost	203,045	184,781
Operating lease liabilities	109,368	103,698
Deferred tax assets before valuation allowance	2,918,205	2,577,057
Valuation allowance	(2,808,837)	(2,473,359)
Net deferred tax assets	109,368	103,698
Operating lease right of use assets	(109,368)	(103,698)
Total deferred tax liability	(109,368)	(103,698)
Net deferred tax assets	\$ -	\$ -

The net changes in the total valuation allowance as of December 31, 2024 and 2023, are comprised as follows:

	December 31,	
	2024	2023
Balance at beginning of year	\$ 2,473,359	\$ 1,907,486
Additions during the year	444,846	565,873
Balance at the end of year	\$ 2,918,205	\$ 2,473,359

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences or carry-forwards are deductible. Based on the level of historical taxable losses, management has reduced the deferred tax assets with a valuation allowance to the amount to be realized.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 15:- INCOME TAXES (Cont.)

- e. As of December 31, 2024 and December 31, 2023, the operating loss carry-forwards amounted to \$8,963,038 and \$8,025,307, respectively. Operating losses in Israel may be carried forward indefinitely to offset against future taxable operational income.

As of December 31, 2024, the open tax years that are subject to review by the applicable taxing authorities for the Company are 2020 and subsequent years.

- f. Reconciliation of the theoretical tax expense to actual tax expense:

The main reconciling item between the statutory tax rate of the Company and the effective rate is the provision for a full valuation allowance in respect of tax benefits from carry forward tax losses due to the uncertainty of the realization of such tax benefits (see above).

NOTE 16:- RELATED PARTY TRANSACTIONS

- a. Related party transactions:

- On November 24, 2024, the audit committee of the board of directors of the Company and the board of directors of the Company approved the purchase of 30 radio-frequency transmitters from Innovative Inc., a company owned by Mr. Gottlieb, a director of the Company and major shareholder, for \$10,512. The audit committee of the board of directors of the Company and the board of directors of the Company further approved the engagement of Innovative Inc. pursuant to which the Company will make additional purchases of production materials from Innovative Inc., on market terms, during a twelve-month period beginning in January 2025, and up to a maximum amount of \$100,000. During the year ended December 31, 2024, the Company paid Innovative Inc. an aggregate of \$10,512.
- Since the Company's inception, Israel Bar, the Company's Chief Executive Officer, director and largest shareholder, and Joseph Gottlieb, another director of the Company and the Company's second largest shareholder, have provided loans to the Company in an aggregate amount of NIS 7,513,887 (approximately \$2,282,364) (the "Shareholders Loans"). As of December 31, 2024 and 2023, the outstanding balance under the Shareholders Loan was \$589,467 and \$1,088,250, respectively.

On May 9, 2021, the Company entered into a loan facility agreement (the "Loan Facility Agreement"), effective as of January 1, 2021, with Mr. Bar and Mr. Gottlieb.

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NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 16:- RELATED PARTY TRANSACTIONS (Cont.)

3. On March 2, 2023, the Company entered into an amendment (the "Amendment") to the Loan Facility Agreement, pursuant to which the Company (i) amended the repayment terms set in the Loan Facility Agreement to provide that the amounts outstanding under the Loan Facility Agreement shall be due and payable in 24 equal monthly payments, commencing on February 4, 2024, subject to availability of available free cash (as defined in the Amendment) of the Company and (ii) clarified the total amount due to Mr. Gottlieb under the Loan Agreement is NIS 1,020,347 (approximately \$317,371). The total outstanding amount under the Loan Facility Agreement after giving effect to the Amendment was NIS 3,480,306 (approximately \$1,088,250). The Amendment was accounted for as a modification with no change to the book value of the Shareholders Loans. As of December 31, 2024 and 2023, the outstanding amount under the Loan Facility Agreement was \$589,467 and \$1,088,250, respectively.
4. On July 31, 2023, the Company entered into a service agreement (the "Service Agreement") with Parazero Technologies Ltd. ("Parazero"), pursuant to which the Company will provide to Parazero certain business development services. Pursuant to the terms of the Service Agreement, in consideration for the services provided by the Company, Parazero required to pay the Company \$10,000 per month plus value added tax and certain commissions, in accordance with the terms of the Service Agreement. The Service Agreement was terminated by Parazero on December 31, 2024, pursuant to its terms. The total amount due by Parazero to the Company as of December 31, 2024 amounted to \$47,000.

In addition, in July 2023, the Company purchased 50,000 ordinary shares of Parazero (the "Investment"), at a price of \$4.00 per share, for an aggregate purchase price of \$200,000, in Parazero's initial public offering. The Company subsequently sold the ordinary shares purchased in the open market for an aggregate consideration of \$108,857. As of December 31, 2024, the Company did not hold any shares of Parazero. The Company recorded \$0 and \$91,143 as a financial expenses for the year ended December 31, 2024 and 2023, respectively, from the remeasurement of the Investment.

The Company determined that the Service Agreement and the purchase of shares is a related party transaction, as the Chairman of the board of directors of the Company also serves as the chairman of the board of directors of Parazero. The Company analyzed the terms of the Service Agreement and concluded that the terms represent a transaction conducted at arm's length.

5. On March 3, 2021, the Company entered into a service agreement with a relative of the Company's Chief Executive Officer and director (the "Service Provider"), pursuant to which the Service Provider provides mechanical design services as requested by the Company in exchange for hourly compensation of NIS195 (approximately \$54). Effective February 2022, the hourly rate under the agreement was increased to NIS 350 (approximately \$97). The amended terms of the Service Provider's agreement were approved by the audit committee of the board of directors of the Company and the board of directors of the Company on March 14, 2024 and March 20, 2024, respectively, and were ratified by the Company's shareholders at the Company's 2024 annual general meeting of shareholders held on May 15, 2024.
6. The Company occasionally purchases, at market prices, electronic components from Colint Ltd., a company owned by Joseph Gottlieb, the Company's director and one of the Company's major shareholder. During 2024, 2023, and 2022, the Company purchased electronic components in an aggregate amount of approximately \$0, \$29,110 and \$0, respectively.

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MARIS-TECH LTD.

NOTES TO FINANCIAL STATEMENTS

U.S. dollars

NOTE 16:- RELATED PARTY TRANSACTIONS (Cont.)

9. Related party transactions:

	Year ended December 31,		
	2024	2023	2022
Share-based compensation expenses to Board members	\$ 11,709	\$ 4,926	\$ 30,684
Management and consulting fees to Board members	\$ 142,055	\$ 133,681	\$ 258,397
Cost of revenues *)	\$ 10,512	\$ 29,110	\$ -
Business development services income	\$ 150,000	\$ 50,000	\$ -
Development services	\$ 123,101	\$ 191,170	\$ 121,721

*) Related to cost of products purchased from the Mr. Gottlieb's companies.

- b. Related party balances:

	December 31,	
	2024	2023
Short-term liabilities due to a related party	\$ 552,213	\$ 498,781
Long-term loans from related party	\$ 45,343	\$ 589,468

NOTE 17:- FINANCIAL EXPENSES (INCOME), NET

	Year ended December 31,		
	2024	2023	2022
Interest on bank deposits	\$ (110,078)	\$ (251,724)	\$ 92,768
Bank charges	7,711	12,254	23,156
Warrants remeasurement	-	-	60,454
Remeasurement of the Investment	-	91,305	-
Foreign currency differences, net	(12,487)	(71,841)	13,653
	<u>\$ (114,854)</u>	<u>\$ (220,006)</u>	<u>\$ 4,495</u>

NOTE 18:- SUBSEQUENT EVENTS

On March 26, 2025, the Company entered into a \$4 million credit line agreement (the "Credit Facility") with United Mizrahi-Tefahot Bank Ltd. (the "Bank"), on accepted commercial terms for similarly-sized companies. Loans from the credit line will have a maturity date of up to three months. For loans with a maturity date exceeding one month (up to three months), the interest will be paid on a monthly basis. For loans with a shorter maturity date, the interest will be paid on the maturity date. The Credit Facility will be in force for a period of 12 months from the date of the agreement. The Credit Facility is secured by all of the assets of the Company. In addition, the Credit Facility includes certain customary information rights in favor of the Bank, restrictive covenants of the Company and of Maris North America Inc., the Company's U.S. subsidiary, and the agreement by two shareholders of the Company to certain subordination restrictions with respect to loans they have provided to the Company.

DESCRIPTION OF SHARE CAPITAL

The following description of the share capital of Maris-Tech Ltd., or the Company, and the provisions of our articles of association and Israeli law are summaries, do not purport to be complete and is qualified in its entirety by reference to our articles of association, Israeli law and any other documents referenced.

Type and class of securities

Ordinary Shares

As of March 28, 2025, our authorized share capital consisted of 100,000,000 ordinary shares, no par value, or the Ordinary Shares, of which 8,104,280 Ordinary Shares were issued and 7,983,565 were outstanding.

All of our outstanding Ordinary Shares have been validly issued, fully paid and non-assessable. Our Ordinary Shares are not redeemable and are not subject to any preemptive right.

Our Ordinary Shares have been listed on the Nasdaq Capital Market under the symbol “MTEK” since February 4, 2022.

Warrants and Options

As of March 28, 2025, we had issued and outstanding warrants, or the IPO Warrants, to purchase an aggregate of 4,243,948 Ordinary Shares, with exercise price of \$5.25 per Ordinary Share. The IPO Warrants were issued as part of our initial public offering and have been listed on the Nasdaq Capital Market under the symbol “MTEKW” since February 4, 2022.

In addition, as of March 28, 2025, we had issued and outstanding warrants issued to investors, consultants, advisors and the representative of the underwriters in our initial public offering to purchase an aggregate of 940,577 Ordinary Shares, with exercise prices ranging between \$1.00 to \$6.1248 per Ordinary Share.

As of March 28, 2025, we had outstanding options to purchase an aggregate of 720,564 Ordinary Shares to certain employees, directors and consultants, under our 2021 Share Option Plan. An additional 79,436 Ordinary Shares are reserved for future issuance under our 2021 Share Option Plan.

Articles of Association

Directors

Our Board of directors shall direct our policy and shall supervise the performance of our Chief Executive Officer and his actions. Our Board of directors may exercise all powers that are not required under the Israeli Companies Law 5759-1999, or the Companies Law, or under our amended and restated articles of association to be exercised or taken by our shareholders.

Rights Attached to Shares

Our Ordinary Shares shall confer upon the holders thereof:

- equal right to attend and to vote at all of our general meetings, whether regular or special, with each Ordinary Share entitling the holder thereof, which attend the meeting and participate at the voting, either in person or by a proxy or by a written ballot, to one vote;
- equal right to participate in distribution of dividends, if any, whether payable in cash or in bonus shares, in distribution of assets or in any other distribution, on a per share pro rata basis; and
- equal right to participate, upon our dissolution, in the distribution of our assets legally available for distribution, on a per share pro rata basis.

Election of Directors

Pursuant to our amended and restated articles of association, which provide for a staggered board of directors, our directors are generally elected by the general meeting and, other than under certain exceptions, serve in office until the third annual general meeting after the general meeting in which such director was appointed, in which such later annual general meeting the directors will be brought for re-election or replacement.

In each annual general meeting, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election, such that each year the term of office of only one class of directors will expire, and all other directors whose service term lapsed shall be deemed to have been re-elected for a term until the next annual general meeting. The director deemed to be re-elected is generally the director that served the longest period since its appointment or last re-election. If more than one director served the longest time, the board of directors will decide which of such directors will be brought for re-election at the relevant general meeting.

Annual and Special Meetings

Under the Israeli law, we are required to hold an annual general meeting of our shareholders once every calendar year, at such time and place which shall be determined by our Board of directors, that must be no later than 15 months after the date of the previous annual general meeting. All meetings other than the annual general meeting of shareholders are referred to as special general meetings. Our Board of directors may call special meetings whenever it sees fit and upon the request of: (a) any two of our directors or such number of directors equal to one quarter of the directors then at office; and/or (b) one or more shareholders holding, in the aggregate, (i) 5% or more of our outstanding issued shares and 1% of our outstanding voting power or (ii) 5% or more of our outstanding voting power, or the Non Exempted Holding.

However, under exemptions applicable to Israeli companies whose securities are listed on stock exchanges outside of Israel, or the Exemptions Regulations, the board of directors of an Israeli company must convene a special meeting at the request of one or more shareholders holding at least 10% of the issued and outstanding share capital, and at least 1% of the voting rights in the company, or one or more shareholders holding at least 10% of the voting rights in the company, provided that if the applicable law to companies incorporated in the country which the company is listed for trade, establishes a right to demand convening of such a meeting for those holding a percentage of holdings lower than 10%, then the Non Exempted Holding shall apply.

Under Israeli law, one or more shareholders holding at least 1% of the voting rights at the general meeting of shareholders may request that the board of directors include a matter on the agenda of the general meeting of shareholders to be convened in the future, provided that it is appropriate to discuss such matter at the general meeting of

shareholders. However, under the Exemptions Regulations, one or more shareholders of an Israeli company whose shares are listed outside of Israel, may request the company's board of directors to include a nomination of a candidate for a position on the board of directors or the termination of a director, as an item on the agenda of a future general meeting, provided that the shareholder holds at least 5% of the voting rights of the company.

Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and sixty days prior to the date of the meeting. Resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our amended and restated articles of association;
- the exercise of our Board of Director's powers by a general meeting if our Board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management;
- appointment or termination of our auditors;

- appointment of directors, including external directors (other than with respect to circumstances specified in our amended and restated articles of association);
- approval of acts and transactions requiring general meeting approval pursuant to the provisions of the Companies Law (mainly certain related party transactions) and any other applicable law;
- increases or reductions of our authorized share capital;
- a merger (as such term is defined in the Companies Law); and
- dissolution of the company by the court, voluntary dissolution, or by voluntary dissolution in an expedited procedure.

Notices

The Companies Law require that a notice of any annual or special shareholders meeting be provided at least 14 or 21 days (as applicable) prior to the meeting, and if the agenda of the meeting includes the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, approval of the company's general manager to serve as the chairman of the board of directors or an approval of a merger, notice must be provided at least 35 days prior to the meeting.

Quorum

As permitted under the Companies Law, the quorum required for our general meetings consists of at least two shareholders present in person, by proxy, written ballot or voting by means of electronic voting system, who hold or represent between them at least 25% of the total outstanding voting rights. If within half an hour of the time set forth for the general meeting a quorum is not present, the general meeting shall stand adjourned either (i) to the same day of the following week, at the same hour and in the same place; (ii) to such other date, time and place as prescribed in the notice to the shareholders and in such adjourned meeting; or (iii) to such day and at such time and place as the chairperson of the general meeting shall determine (which may be earlier or later than the date pursuant to clause (i) above). If no quorum is present within half an hour of the time arranged, any number of shareholders participating in the meeting, shall constitute a quorum.

If a special general meeting was summoned following the request of a shareholder, and within half an hour a legal quorum shall not have been formed, the meeting shall be cancelled.

Adoption of Resolutions

Our amended and restated articles of association provide that resolutions amending provisions of the amended and restated articles of association related to the staggered board of directors and the composition of the board of directors, as well as a resolution to dismiss a director, will require an affirmative vote of 70% of the voting power represented at a general meeting and voting thereon. Other than that, and unless otherwise required under the Companies Law and our amended and restated articles of association, all resolutions of the Company's shareholders require a simple majority vote. A shareholder may vote in a general meeting in person, by proxy, by a written ballot.

Changing Rights Attached to Shares

Unless otherwise provided by the terms of the shares and subject to any applicable law, any modification of rights attached to any class of shares must be adopted by the holders of a majority of the shares of that class present at a general meeting of the affected class or by a written consent of all the shareholders of the affected class.

The enlargement of an existing class of shares or the issuance of additional shares thereof, shall not be deemed to modify the rights attached to the previously issued shares of such class or of any other class, unless otherwise provided by the terms of the shares.

Limitations on the Right to Own Securities in Our Company

There are no limitations on the right to own our securities in our amended and restated articles of association. In certain circumstances the IPO Warrants have restrictions upon the exercise of such warrants if such exercise would result in the holders thereof owning more than 4.99% or 9.99% of our Ordinary Shares upon such exercise, as further described below.

Provisions Restricting Change in Control of Our Company

Our amended and restated articles of association provide for a staggered board of directors, which mechanism may delay, defer or prevent a change of control of the Company's board of directors. Other than that, there are no specific provisions of our amended and restated articles of association that would have an effect of delaying, deferring or preventing a change in control of the Company or that would operate only with respect to a merger, acquisition or corporate restructuring involving us. However, as described below, certain provisions of the Companies Law may have such effect.

The Companies Law includes provisions that allow a merger transaction and requires that each company that is a party to the merger have the transaction approved by its board of directors and, unless certain requirements described under the Companies Law are met, a vote of the majority of shareholders, and, in the case of the target company, also a majority vote of each class of its shares. For purposes of the shareholder vote of each party, unless a court rules otherwise, the merger will not be deemed approved if shares representing a majority of the voting power present at the shareholders meeting and which are not held by the other party to the merger (or by any person or group of persons acting in concert who holds 25% or more of the voting power or the right to appoint 25% or more of the directors of the other party) vote against the merger. If, however, the merger involves a merger with a company's own controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger the surviving company will be unable to satisfy the obligations of any of the parties to the merger, and may further give instructions to secure the rights of creditors. If the transaction would have been approved by the shareholders of a merging company but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the petition of holders of at least 25% of the voting rights of a company. For such petition to be granted, the court must find that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders. In addition, a merger may not be completed unless at least (1) 50 days have passed from the time that the requisite proposals for approval of the merger were filed with the Israeli Registrar of Companies by each merging company and (2) 30 days have passed since the merger was approved by the shareholders of each merging company.

The term "Special Majority" hereof will be defined as described in section 275(a)(3) of the Companies Law as:

- at least a majority of the shares held by shareholders who are not controlling shareholders and do not have personal interest in the merger (excluding a personal interest that did not result from the shareholder's relationship with the controlling shareholder) have voted in favor of the proposal (shares held by abstaining shareholders shall not be considered); or
- the total number of shares voted against the merger, does not exceed 2% of the aggregate voting rights of the company.

Special Tender Offer

The Companies Law also provides that, subject to certain exceptions, an acquisition of shares in an Israeli public company must be made by means of a "special" tender offer if as a result of the acquisition (1) the purchaser would become a holder of 25% or more of the voting rights in the company, unless there is already another holder of at least 25% or more of the voting rights in the company or (2) the purchaser would become a holder of 45% or more of the voting rights in the company, unless there is already a holder of more than 45% of the voting rights in the company. These requirements do not apply if, in general, the acquisition (1) was made in a private placement that received shareholders' approval, subject to certain conditions, (2) was from a holder of 25% or more of the voting rights in the company which resulted in the acquirer becoming a holder of 25% or more of the voting rights in the company, or (3) was from a holder of more than 45% of the voting rights in the company which resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company. A "special" tender offer must be extended to all shareholders. In general, a "special" tender offer may be consummated only if (1) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (2) the offer is accepted by a majority of the offerees who notified the company of their position in connection with such offer (excluding the offeror, controlling shareholders, holders of 25% or more of the voting rights in the company or anyone on their behalf, or any person having a personal interest in the acceptance of the tender offer). If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

However, under the Exemptions Regulations, the aforesaid limitations regarding a special tender offer do not apply for an Israeli company whose shares are listed outside of Israel, provided that if the applicable law as applicable to companies incorporated in the country which the company is listed for trade, provide a restriction on the acquisition of control of any proportion of the company or that the acquisition of control of any proportion requires the purchaser to also offer a purchase offer to shareholders from among the public.

Full Tender Offer

If, as a result of an acquisition of shares, the acquirer will hold more than 90% of an Israeli company's outstanding shares or of certain class of shares, the acquisition must be made by means of a tender offer for all of the outstanding shares, or for all of the outstanding shares of such class, as applicable. In general, if less than 5% of the outstanding shares, or of applicable class, are not tendered in the tender offer and more than half of the offerees who have no personal interest in the offer tendered their shares, all the shares that the acquirer offered to purchase will be transferred to it by operation of law. However, a tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares. Any shareholders that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may request, by petition to an Israeli court, (i) appraisal rights in connection with a full tender offer, and (ii) that the fair value should be paid as determined by the court, for a period of six months following the acceptance thereof. However, the acquirer is entitled to stipulate, under certain conditions, that tendering shareholders will forfeit such appraisal rights.

Tax Considerations for Acquisitions

Israeli tax law treats some acquisitions, such as stock-for-stock exchanges between an Israeli company and a foreign company, less favorably than U.S. tax laws. For example, Israeli tax law may, under certain circumstances, subject a shareholder who exchanges his Ordinary Shares for shares in another corporation to taxation prior to the sale of the shares received in such stock-for-stock swap.

Changes in Our Capital

The general meeting may, by a simple majority vote of the shareholders attending the general meeting:

- increase our registered share capital by the creation of new shares from the existing class or a new class, as determined by the general meeting;
- cancel any registered share capital which have not been taken or agreed to be taken by any person;
- consolidate and divide all or any of our share capital into shares of larger nominal value than our existing shares;
- subdivide our existing shares or any of them, our share capital or any of it, into shares of smaller nominal value than is fixed; and
- reduce our share capital and any fund reserved for capital redemption in any manner, and with and subject to any incident authorized, and consent required, by the Companies Law.

Exclusive Forum

Our amended and restated articles of association provide that unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended, or the Securities Act and that any person or entity purchasing or otherwise acquiring any interest in any security of the Company, shall be deemed to have notice of and consented to this exclusive forum provision.

Staggered Board

Our amended and restated articles of association provide for a split of the board of directors into three classes with staggered three-year terms. At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors will be for a term of office that expires on the third annual general meeting following such election or re-election, such that each year the term of office of only one class of directors will expire. The director whom is to be retired and re-elected shall generally be the director that served the longest period since its appointment or last re-election or, if more than one director served the longest time, or if a director who is not to be re-elected agrees to be re-elected, the meeting of the board of directors which sets the date and agenda for the annual general meeting (acting by a simple majority) will decide which of such directors will be brought for re-election at the relevant general meeting.

IPO Warrants

The following summary of certain terms and provisions of the IPO Warrants and is subject to, and qualified in its entirety by, the provisions of the warrant agent agreement between us and VStock Transfer, LLC, as warrant agent, and the form of the IPO Warrant, both of which are filed as exhibits to the Annual Report on Form 20-F for the year ended December 31, 2024.

Exercisability

The IPO Warrants are exercisable at any time after their original issuance and at any time up to the date that is five years after their original issuance, or until February 1, 2027. The IPO Warrants will be exercisable, at the option of each holder, in whole or in part by delivering to the Company a duly executed exercise notice and, at any time a registration statement registering the issuance of the Ordinary Shares underlying the IPO Warrants under the Securities Act is effective and available for the issuance of such shares, by payment in full in immediately available funds for the number of Ordinary Shares purchased upon such exercise. If a registration statement registering the issuance of the Ordinary Shares underlying the IPO Warrants under the Securities Act is not effective or available the holder may, in its sole discretion, elect to exercise the IPO Warrant through a cashless exercise, in which case the holder would receive upon such exercise the net number of Ordinary Shares determined according to the formula set forth in the IPO Warrant. No fractional shares will be issued in connection with the exercise of an IPO Warrant. In lieu of fractional shares, the Company will pay the holder an amount in cash equal to the fractional amount multiplied by the exercise price.

Exercise Limitation

A holder does not have the right to exercise any portion of the IPO Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of Ordinary Shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the IPO Warrants. However, any holder may increase or decrease such percentage to any other percentage not in excess of 9.99%, provided that any increase in such percentage shall not be effective until 61 days following notice from the holder to the Company.

Exercise Price

The exercise price per whole Ordinary Share purchasable upon exercise of the IPO Warrants is \$5.25 per Ordinary Share. The exercise price is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our Ordinary Shares and also upon any distributions of assets, including cash, stock or other property to our stockholders.

Transferability

Subject to applicable laws, the Warrants may be offered for sale, sold, transferred or assigned without our consent.

Warrant Agent

The IPO Warrants were issued in registered form under a warrant agent agreement between VStock Transfer, LLC, as warrant agent, and the Company. The IPO Warrants were initially be represented only by one or more global warrants deposited with the warrant agent, as custodian on behalf of The Depository Trust Company, or DTC, and registered in the name of Cede & Co., a nominee of DTC, or as otherwise directed by DTC.

Fundamental Transactions

In the event of a fundamental transaction, as described in the IPO Warrants and generally including any reorganization, recapitalization or reclassification of our Ordinary Shares, the sale, transfer or other disposition of all or substantially all of our properties or assets, our consolidation or merger with or into another person, the acquisition of more than 50% of our outstanding Ordinary Shares, or any person or group becoming the beneficial owner of 50% of the voting power represented by our outstanding Ordinary Shares, the holders of the IPO Warrants will be entitled to receive upon exercise of the IPO Warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the IPO Warrants immediately prior to such fundamental transaction without regard to any limitations on exercised contained in the IPO Warrants.

Rights as a Stockholder

Except as otherwise provided in the IPO Warrants or by virtue of such holder's ownership of our Ordinary Shares, the holder of an IPO Warrant does not have the rights or privileges of a holder of our Ordinary Shares, including any voting rights, until the holder exercises the IPO Warrant.

Governing Law

The IPO Warrants and the warrant agent agreement are governed by New York law.

Exclusive Forum

The agreement governing the IPO Warrants provide that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by the IPO Warrant (whether brought against a party thereto or their respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, Borough of Manhattan and that the investors irrevocably waive, and agree not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. The warrant agent agreement has similar provisions. In addition, the warrant agent agreement provides that the Company and the warrant agent each waive the right to a trial by jury in any action or proceeding arising out of or relating to the warrant agent agreement. Each of the agreement governing the IPO Warrants and the warrant agent agreement provide that the foregoing provisions do not limit or restrict the federal district court in which a party may bring a claim under the U.S. federal securities laws.

Maris-Tech Ltd.
Insider Trading Policy

Effective March 26, 2025

I. Introduction

This policy determines acceptable transactions in the securities of Maris-Tech Ltd. (the “*Company*”) by our officers and other employees, directors and consultants. This policy arises from the Company’s status as a public company whose securities are listed on the Nasdaq Capital Market, under the symbols “MTEK” and “MTEKW”. During the course of your employment, directorship or consultancy with the Company, you may receive important information that is not yet publicly available (“*inside information*”), about the Company or about other publicly-traded companies with which the Company has business dealings. Because of your access to this inside information, you may be in a position to profit financially by engaging in any transaction involving the Company’s securities, or securities of another publicly-traded company, or to disclose such information to a third party who does so profit or which you may have reasonable belief to assume will use the inside information (a “*tippee*”).

II. Insider Trading Policy

A. Securities Transactions

Use of inside information by someone for personal gain, or to pass on, or “tip,” the inside information to someone who uses it for personal gain, is illegal, regardless of the quantity of securities, and is therefore prohibited. You can be held liable both for your own transactions and for transactions effected by a tippee, or even a tippee of a tippee. Furthermore, it is important that the appearance of insider trading in securities be avoided. The only exception is that transactions directly with the Company, *e.g.*, option exercises for cash, or purchases under a Trading Plan (as defined below), are permitted. However, the subsequent sale (including the sale of shares in a cashless exercise program) or other disposition of such shares is fully subject to these restrictions.

B. Inside Information

As a practical matter, it is sometimes difficult to determine whether you possess inside information. The key to determining whether nonpublic information you possess about a public company is inside information is whether dissemination of the information would likely affect the market price of the company’s securities or would likely be considered important, or “material”, by investors who are considering trading in that company’s securities. Certainly, if the information makes you want to trade, it would probably have the same effect on others. Remember, both positive and negative information can be material. If you possess inside information, you may not trade in a company’s securities, advise anyone else to do so or communicate the information to anyone else until you know that the information has been publicly disseminated. This means that in some circumstances, you may have to forego a proposed transaction in a company’s securities even if you planned to execute the transaction prior to learning of the inside information and even though you believe you may suffer an economic loss or sacrifice an anticipated profit by waiting. “*Trading*” includes engaging in short sales, transactions in put or call options, hedging transactions and other inherently speculative transactions, for your own account or for others.

Although by no means an all-inclusive list, information about the following items may be considered to be inside information until it is publicly disseminated:

- financial results or forecasts;
- confirming or updating previous disclosures or analysts’ reports;
- major product or technological developments;
- Results of experiments in existing or new technologies or in technologies developed by the company;
- major contract awards or cancellations;
- M&A activity, including acquisitions or dispositions of assets or divisions;
- pending public or private sales of debt or equity securities;
- declaration of share splits, dividends or changes in dividend policy;
- senior management or control changes;
- possible tender offers or proxy fights;
- significant write-offs;
- significant litigation or settlements;
- impending bankruptcy;
- gain or loss of a significant license agreement or other contracts with customers or suppliers;
- pricing changes or discount policies;
- cybersecurity risks and incidents;
- corporate partner relationships or joint venture developments; and
- governmental actions or regulations.

For information to be considered publicly disseminated, it must be widely disclosed through a press release or U.S. Securities Exchange Commission filing, and a sufficient amount of time must have passed to allow the information to be fully disclosed. Generally speaking, information will be considered publicly disseminated after two full trading days have elapsed since the date of public disclosure of the information. For example, if an announcement of inside information of which you were aware was made *prior* to trading on Wednesday, then you may execute a transaction in the Company’s securities on Friday.

III. Trading by Directors, Officers, Other Employees, and Consultants of the Company

We require directors, officers, other employees and consultants of the Company to do more than refrain from insider trading. We require that they limit their transactions in the Company's shares to defined time periods following public dissemination of quarterly (if applicable) interim and annual financial results and notify, and receive approval from, the Chief Financial Officer prior to engaging in transactions in the Company's securities and observe other restrictions designed to minimize the risk of apparent or actual insider trading.

In addition, the Company itself must comply with securities laws applicable to its own securities trading activities, and must not engage in any transaction involving a purchase or sale of its securities, including any offer to purchase, offer to sell or gift or other disposition of its securities, when it is in possession of inside information concerning the Company, other than in compliance with applicable law, subject to the policies and procedures adopted by the Company and the exceptions listed below in paragraph III.C.2 of this Policy to the extent applicable.

A. Covered Insiders

The provisions outlined in this policy apply to all directors, officers and employees of the Company. Generally, any entities or family members of those individuals whose trading activities are controlled or influenced by any of such persons should be considered to be subject to the same restrictions.

B. Window Period

Generally, except as set forth in this paragraph B, in paragraph C and in paragraph D of this policy, directors, officers and other employees may buy, sell or gift securities of the Company only during a "window period" that opens after two full trading days have elapsed after the public dissemination of the Company's annual, interim or quarterly (if applicable) financial results and closes on the last trading day two weeks before the end of the quarter, or six month period (as applicable, and depending on whether the Company reports on a semiannual basis or quarterly basis). This window period may be closed early or may not open if, in the judgment of the Company's Chief Financial Officer, there exists undisclosed information that would make trades by the Company's directors, officers or employees inappropriate. It is important to note that the fact that the window period has closed early or has not opened should be considered inside information. A director, officer or other employee who believes that special circumstances require such person to trade outside the window period should consult with the Company's Chief Financial Officer. Permission to trade outside the window period will be granted only where the circumstances are extenuating and there appears to be no significant risk that the trade may subsequently be questioned.

C. Exceptions to Window Period

1. *Option/Warrant Exercises.* Other than as provided in paragraphs III.C.3 and III.C.4 below, directors, officers and other employees may exercise options to purchase shares of the Company granted under the Company's equity incentive plans in cash without restriction to any particular period in light of information then available to the public. However, the subsequent sale of the shares (including sales of shares in a cashless exercise) acquired upon the exercise of such options is subject to all provisions of this policy.

2. *10b5-1 Automatic Trading Programs.* Rule 10b5-1 ("**Rule 10b5-1**") under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") provides an affirmative defense from insider trading liability under the U.S. federal securities laws for transactions in the Company's securities made pursuant to, and in compliance with, a written plan established by a director, officer or other employee that meets the requirements of Rule 10b5-1 (a "**Trading Plan**") that meets each of the following requirements: (a) the Trading Plan is adopted by the insider during a Window Period and when the insider is not in possession of material non-public information; (b) the Trading Plan is followed by the insider; (c) the Trading Plan either (i) specifies the amount of securities to be sold and the date on which the securities are to be sold, (ii) includes a written formula or algorithm, or computer program, for determining the amount of securities to be sold and the price at which and the date on which the securities are to be purchased or sold, or (iii) does not permit the insider to exercise any subsequent influence over how, when, or whether to effect sales; provided, in addition, that any other person who, pursuant to the Trading Plan, does exercise such influence must not have been aware of the material non-public information when doing so; (d) the Trading Plan includes a representation from the insider adopting the Trading Plan that such insider (i) is not aware of any inside information about the Company or its securities and (ii) is adopting the Trading Plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5; (e) the Trading Plan provides that trading under it cannot begin until the later of (i) 90 days after the adoption of the Trading Plan or (ii) two business days following the disclosure of the Company's financial results in a Report of Foreign Private Issuer on Form 6-K or Annual Report on Form 20-F (such period being referred to as the "cooling-off period", but, in either case, not to exceed 120 days following the adoption of the Trading Plan, and provided that if the insider is not a director or officer of the Company, such cooling-off period shall be at least 30 days rather than the longer periods set forth above); (f) at the time it is adopted the Trading Plan conforms to all other requirements of Rule 10b5-1 then in effect; (g) the Trading Plan was reviewed by the Company prior to establishment, solely to confirm compliance with this policy and the securities laws; and (h) the Trading Plan allows for the cancellation of a transaction and/or suspension of such Trading Plan upon notice and request by the Company to the individual if any proposed trade (i) fails to comply with applicable laws (e.g., exceeding the number of shares that may be sold under Rule 144 under the U.S. Securities Act of 1933, as amended ("**Rule 144**")) or (ii) would create material adverse consequences for the Company.

The Company must be notified of the establishment of any Trading Plan, any amendments to such Trading Plan and the termination of such Trading Plan. In accordance with Rule 10b5-1, any change to the amount, price, or timing of the purchase or sale of securities underlying a Trading Plan constitutes termination of the Trading Plan and the adoption of a new Trading Plan, which triggers the cooling-off period described above. No insider may have more than one Trading Plan for purchases or sales of securities on the open market during the same period. In addition, no insider may have more than one single-trade Trading Plan during any 12-month period. A single-trade plan is one that has the practical effect of requiring the purchase or sale of securities as a single transaction. With respect to overlapping Trading Plans, an insider may have two separate plans provided (i) the later-commencing plan does not begin until all trades have been completed under the first plan or the first plan expires without execution, and trading during the cooling-off period that would have applied if the later-commencing plan was adopted on the date the earlier-commencing plan terminates and (ii) the separate plans satisfy all other conditions applicable to Trading Plans. With respect to overlapping Trading Plans, an insider may have separate plans for "sell-to-cover" transactions in which an insider instructs an agent to sell securities in order to satisfy tax withholding obligations at the time an equity award vests. Any such additional plan must only authorize qualified "sell-to-cover" transactions. With respect to single-trade Trading Plans, an insider may have a single-trade plan for "sell-to-cover" transactions.

In addition to the above requirements, a Trading Plan shall be signed and dated by the insider, and submitted to the Chief Financial Officer at least two (2) trading days

before it is filed with the broker who executes it. The Company shall have the right, at all times, to suspend purchases or sales under a Trading Plan, for instance in the event that the Company needs to comply with requirements by underwriters for “lock-up” agreements in connection with an offering of the Company’s securities. Any cancellation, suspension, expansion or other modification of a Trading Plan by the insider who established it must: (1) be in writing, signed and dated by such insider; (2) be submitted to the Chief Financial Officer within two (2) trading days after the cancellation, suspension, expansion or other modification, and (3) be made during an open window period, and when the insider who established it has no inside information about the Company.

3. *Former Employees.* Former employees of the Company who have left the Company and still own securities of the Company that have not been forfeited shall contact the Company’s Chief Financial Officer to discuss trading outside the window period on a case-by-case basis.

D. Pre-Clearance and Advance Notice of Transactions

In addition to the requirements of paragraph B above, directors, officers and other employees that the Company’s Chief Financial Officer deems to have routine access to material non-public information may not engage in any transaction in the Company’s securities, including any purchase or sale in the open market, loan or other transfer of beneficial ownership without first obtaining pre-clearance of the transaction from the Company’s Chief Financial Officer, at least two trading days in advance of the proposed transaction. The Company’s Chief Financial Officer will then determine whether the transaction may proceed. Pre-cleared transactions not completed within five trading days shall require new pre-clearance under the provisions of this paragraph. The Company may, at its discretion, shorten such period of time.

Advance notice of gifts or an intent to exercise an outstanding option or warrant to purchase shares shall be given to the Company’s Chief Financial Officer. To the extent possible, advance notice of upcoming transactions to be effected pursuant to an established Trading Plan under Section III.C.2 above shall also be given to the Company’s Chief Financial Officer.

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E. Prohibition of Speculative or Short-term Trading

No director, officer or other employee may engage in short sales, transactions in put or call options, hedging transactions, margin accounts or other inherently speculative transactions with respect to the Company’s securities at any time.

F. Control Shares

Directors and officers should take care not to violate the restrictions on sales by control persons (Rule 144 under the Securities Act), and should file any notices of sale required by Rule 144.

A. Rule 144 and Section 16 Matters for Directors and Officers

Directors and officers of the Company must also comply with Rule 144, or another applicable exemption from registration. The practical effect of Rule 144 is that directors and officers who sell the Company’s securities may be required to comply with a number of requirements including holding period, volume limitation, manner of sale and U.S. Securities and Exchange Commission filing requirements. The Company may provide separate memoranda and other appropriate materials to its directors and officers regarding compliance with Rule 144. In addition, if the Company is no longer considered a “foreign private issuer”, the directors and officers who transact in Company securities have to report such transactions through the filing of Form 4s with the U.S. Securities and Exchange Commission. The Company will advise such persons if they are subject to the requirements of Form 4 and the reporting requirements of Section 16 of the Exchange Act.

IV. Duration of Policy’s Applicability

This policy continues to apply to your transactions in the Company’s securities or the securities of other publicly traded companies engaged in business transactions with the Company even after your employment, directorship or consultancy with the Company has terminated. If you are in possession of inside information when your relationship with the Company concludes, you may not trade in the Company’s securities or the securities of any such other company until the information has been publicly disseminated or is no longer material.

V. Penalties

Anyone who effects transactions in the Company’s securities or the securities of other public companies engaged in business transactions with the Company (or provides information to enable others to do so) on the basis of inside information is subject to both civil liability and criminal penalties, as well as disciplinary action by the Company. An employee, director or consultant who has questions about this policy should contact his or her own attorney or our Chief Financial Officer, Nir Bussy, at nir@maris-tech.com.

* * *

Adopted/last amended: March [●], 2025

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CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a) or 15d-14(a)

I, Israel Bar, certify that:

1. I have reviewed this Annual Report on Form 20-F of Maris-Tech Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 28, 2025

/s/ Israel Bar

Israel Bar
Chief Executive Officer

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a) or 15d-14(a)

I, Nir Bussy, certify that:

1. I have reviewed this Annual Report on Form 20-F of Maris-Tech Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 28, 2025

/s/ Nir Bussy

Nir Bussy

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350**

In connection with the filing of the Annual Report on Form 20-F for the period ended December 31, 2024 (the “Report”) by Maris-Tech Ltd. (the “Company”), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2025

/s/ Israel Bar

Israel Bar
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350**

In connection with the filing of the Annual Report on Form 20-F for the period ended December 31, 2024 (the “Report”) by Maris-Tech Ltd. (the “Company”), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2025

/s/ Nir Bussy

Nir Bussy

Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form F-3 No. 333-270330) of Maris-Tech Ltd. ,and
- (2) Registration Statements (Form S-8 Nos. 333-274826 and 333-262910) pertaining to Maris-Tech Ltd. 2021 Share Option Plan.

of our report dated March 28, 2025, with respect to the financial statements of Maris-Tech Ltd. included in this Annual Report (Form 20-F) of Maris-Tech Ltd. for the year ended December 31, 2024.

Tel-Aviv, Israel
March 28, 2025

/s/ KOST FORER GABBAY & KASIERER
KOST FORER GABBAY & KASIERER
A Member of EY Global



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (No. 333-270330) and on Form S-8 (Nos. 333-274826 and 333-262910) of Maris Tech Ltd. of our report dated March 6, 2023 relating to the financial statements, which appears in this Form 20-F.

/s/ Kesselman & Kesselman

Certified Public Accountants (Isr.)

A member firm of PricewaterhouseCoopers International Limited

Tel-Aviv, Israel

March 28, 2025

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