

27 September 2023

t42 IoT Tracking Solutions Plc
("t42" or the "Company")

Interim Results

t42 IoT Tracking Solutions plc (AIM: TRAC) ("t42" or the "Company"), which provides real-time tracking, security, and monitoring solutions for the global supply chain, logistics, container, and freight market, announces its unaudited results for the six months ended 30 June 2023.

Business Overview Highlights

- Continued to refocus the legacy business to shipping container tracking services
- Further orders for Tetis and Lokies
- Collaboration into the refrigerated air cargo supply chain, following a partnership with a leading global firm providing sustainable solutions across the cold chain
- Post-period, secured \$1.3m financing from strategic partner

H1 Financials Highlights

- Revenues decreased to \$1.7m (H1 2022: \$2.2m).
- Adjusted EBITDA loss of \$248,000 (H1 2022: loss of \$247,000).
- Gross margin for the period was 48% (H1 2022: 46%).
- General expenses decreased to \$1.3m (H1 2022: \$1.5m).
- Strong pipeline of potential new orders for financial year 2023 and 2024

Avi Hartmann, CEO of t42, commented:

"It is positive to see the continued adoption of t42 technology into numerous different channels, including port authorities, distributors and direct customers. We now take on the challenge of financing the increasing demand for our products using the Company's new leasing structure. At the same time it is clear that we are becoming an increasingly important player in the shipping container tracking solutions market."

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The information contained within this announcement is deemed by the Company to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended.

CHAIRMAN'S STATEMENT

We are pleased to report the unaudited results of t42 for the half year ended 30 June 2023 ("H1 2023"). Total revenues were \$1.7m (H1 2022: \$2.2m), due to the effects of continued supply chain issues, together with supplier requirements for upfront payments, which has impacted our ability to complete many orders in the first half of this year. We hope to fulfil these orders in the remainder of the second half of the year. The gross margin for the period showed an improvement on the previous year to 48% compared to 46%, with an operational loss prior to financing costs (including exchange rate impacts) of \$0.5m (H1 2022: \$0.5m). As already indicated in previous statements, the results for this year are expected to be heavily weighted to the second half of the year based on our expectations from the existing potential order pipeline. Anticipated orders give management confidence that the results for the second half of 2023 will show a significant improvement on 2022 full year results.

Post-period, as announced on 26 July 2023, we successfully raised \$1.3m through a convertible loan provided by Ewave Mobile Ltd. The loan, which carries an interest of 10%, has enabled us to pay off the existing \$0.55m loan from CSS Alpha Global Pte Ltd which had a substantially higher interest rate. Ewave Mobile Ltd. is an international group providing solutions across a range of sectors including supply chain management. We hope to develop new business opportunities from this relationship.

During H1 2023, sales of Tetis and Lokies represented 34% and 25% of hardware revenues respectively, compared to 3% and 19% for the corresponding period in the previous year, demonstrating the success of the Company's new focus on the more profitable shipping and freight sectors, while sales of Helios represented 38% of Company revenue (H1 2022: 70%).

We are in regular contact with the distributors in Latin America, announced in December 2021 and July 2022. Whilst minimal sales have been achieved through these channels to date, based on discussions with the distributors, we continue to anticipate that more substantial orders will be forthcoming as we seek to gain traction in these important markets. As recently updated, the distribution contract with OpenBox has not delivered any sales and although we remain in contact with them, we are not anticipating any major sales from them in the near future; as they do not currently have exclusivity in the USA, this has allowed us to progress other opportunities in the USA through alternative channels. Consequently, we signed a contract with another US-based, leading global company which provides a unified view of in-transit logistics to detect and correct non-compliance within supply chains, which, as announced, has already resulted in orders for several thousand Tetis units during H1 2023.

t42 has incorporated AI technologies into its product design cycle to improve its development and products. Lokies 2.0 is the first result of the technologies. Our Lokies 2.0 product is being appraised by our various customers and new orders are being placed. Also, as previously notified, we are strengthening the research and development collaboration with a leading global firm providing sustainable solutions across the refrigerated air cargo supply chain, which has the potential to develop into a significant customer relationship.

The Company's new leasing structure, which offers services while structuring payments for both devices and SaaS fees on a monthly payment basis as a leasing contract, has been well-received, with an increasing numbers of orders being achieved using this mechanism. The Company has several large orders pending and indications of more in the near future. .

In addition, the vehicle market is still contributing to the Company's revenues, and we continue to receive very positive feedback from our clients following the launch of the new Helios M 4G. During 2023, we also concluded a project in Africa for securing and managing a fleet providing procurement, production, storage and distribution of medical supplies.

FINANCIAL REVIEW

Group revenues for the period were \$1.7m, compared with \$2.2m for the six-month ended 30 June 2022.

Gross margin for the 6 months to 30 June 2023 increased to 48%, compared with 46% for the

corresponding period in 2022.

Total operating expenses for the 6 months to 30 June 2023 were \$1.3m (2022: \$1.5m).

Net loss after taxation for the six months to 30 June 2023 increased to \$0.8m compared with the 2022 net loss of \$0.2m, mainly due to financing costs.

The Group recorded an exchange rate profit of \$0.03m (2022: \$0.4m) resulting from the strengthening of the US dollar relative to the Israeli Shekel.

The Group balance sheet showed a slight decrease in trade receivables to \$0.59m, compared with \$0.65m as of 30 June 2022.

Group inventories at the period end were \$1.5m compared to \$2.2m as of 30 June 2022.

Trade payables at the period end were stable at \$1.3m, compared with \$1.6m and \$1.1m as of 30 June 2022 and 31 December 2022, respectively.

Net cash provided in operating activities for the 6 months to 30 June 2023 was \$0.1m, compared with net cash used by operating activities for the 6 months to 30 June 2022 of \$0.8m.

LEASE MODEL AND SHORT TERM LIABILITIES

The Company has several large orders pending and indications of more in the near future. However, since several of these orders are based on the new leasing structure the Company may need to raise additional funds towards the end of 2023 or early 2024 in order to take advantage of these opportunities and others in the pipeline. The Company is both investigating the most appropriate leasing structure, and also exploring options to raise the desired capital, including to assist with current short term obligations which may hold back growth with a preference for non-equity should this be available.

As further noted in Note 5a below, the Company has in issue unsecured convertible loans enabling the lenders to convert such loans at an exercise price of £0.15 per share at any time, subject to regulatory provisions, up to December 31, 2023. If not converted, the loans will be repayable on December 31, 2023. Discussions are underway with the providers of these loans on the structure and timing of the loan repayment. While the Company is hopeful of a resolution to such discussions, the Company may require additional financing for the repayment of such loans by 31 December 2023. It should be noted that there is no guarantee that such funding will be available, or as to the terms of such funding.

OUTLOOK

We anticipate that the second half of 2023 will show significantly improved results based on existing and anticipated orders from a wide number of clients. Increasingly however, existing and potential customers are favoring placing orders under the new leasing structure. Inevitably the scale of these future orders, in the remainder of 2023 and beyond, will be dependent on the necessary funding being secured, which may delay some future opportunities. We expect that as additional funding is secured, we will see a consequent increase in orders being received. In addition, sales of both Tetis and Lockies are increasing alongside the considerable market acceptance of our technology.

Michael Rosenberg OBE
Non-Executive Chairman

T42 IOT TRACKING SOLUTIONS PLC

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

T42 IOT TRACKING SOLUTIONS PLC

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Jerusalem, September 27, 2023

Review Report of Independent Auditors to the Shareholders of t42 IoT Tracking Solutions PLC

Introduction

We have reviewed the accompanying condensed consolidated interim statements of financial position of t42 IoT Tracking Solutions PLC and its consolidated companies (hereinafter - "the Group") as of June 30, 2023 and 2022 and the related condensed consolidated interim statements of comprehensive loss, changes in shareholders' equity and cash flows for the six months then ended. Preparation and presentation of these condensed consolidated financial statements in conformity with International Accounting Standard No. 34 "Interim Financial Reporting" are the responsibility of the Group's board of directors and management. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) No. 2410 of the Israel Accounting Standards Board, "Review of Interim Financial Information for Interim Periods Performed by the Auditor of an Entity". A review consists principally of inquiries of Company personnel, analytical procedures applied to the financial data and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not

express an audit opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to these interim consolidated financial statements in order for them to be in conformity with International Accounting Standard No. 34.

Without qualifying our conclusion, we draw attention to Note 1 (c) in the financial statements regarding the Company's efforts to raise additional funds.

Barzily & Co.
Certified Public Accountants.
A Member of MSI Worldwide

T42 IOT TRACKING SOLUTIONS PLC

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. Dollars in thousands

		June 30		December
	Note	2023	2022	31 2022
		Unaudited	Unaudited	Audited
ASSETS				
NON-CURRENT ASSETS :				
Property, plant and equipment, net		503	591	546
Rights of use assets, net		1,004	1,064	981
Intangible assets, net	3	998	1,028	1,021
Income Tax Authorities		57	58	57
Total Non-Current Assets		<u>2,562</u>	<u>2,741</u>	<u>2,605</u>
CURRENT ASSETS :				
Cash and cash equivalents		215	311	174
Inventories		1,499	2,234	1,581
Trade receivables (net of allowance for doubtful accounts of \$67, \$462 and \$450 thousand as of June 30, 2023 and 2022 and December 31, 2022)		587	645	488
Other accounts receivable		25	98	71
Short-term deposit		132	131	130
Total Current Assets		<u>2,458</u>	<u>3,419</u>	<u>2,444</u>
TOTAL ASSETS		<u><u>5,020</u></u>	<u><u>6,160</u></u>	<u><u>5,049</u></u>
LIABILITIES AND EQUITY				
EQUITY (DEFICIT)		<u>(1,289)</u>	<u>93</u>	<u>(538)</u>
NON-CURRENT LIABILITIES:				
Long-term loans from banks, net of current maturities		103	178	142
Amortized cost of a convertible loan	5	306	824	292
Conversion component of a convertible loan at fair value	5	14	215	27
Long term leasehold liabilities		778	888	790
Warrants at fair value	5	-	87	-
Total Non-Current Liabilities		<u>1,201</u>	<u>2,192</u>	<u>1,251</u>
CURRENT LIABILITIES:				
Short-term bank credit		40	61	42
Short-term loans and current maturities of long-term loans		620	927	789
Warrants at fair value	5	52	-	77
Trade payables		1,302	1,606	1,144
Related parties	6	772	708	744
Other accounts payable		645	-	260
Leasehold liabilities		119	131	112
Conversion component of a convertible loan at fair value	5	-	-	7
Amortized cost of a loan and a convertible loan	5	1,558	-	1,161
Total Current Liabilities		<u>5,108</u>	<u>3,875</u>	<u>4,336</u>
TOTAL LIABILITIES AND EQUITY		<u><u>5,020</u></u>	<u><u>6,160</u></u>	<u><u>5,049</u></u>

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

T42 IOT TRACKING SOLUTIONS PLC
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
U.S. Dollars in thousands

	Note	Six Months Ended June 30		Year Ended December 31
		2023 Unaudited	2022 Unaudited	2022 Audited
Revenues		1,707	2,177	4,041
Cost of sales	7	(895)	(1,181)	(2,358)
		812	996	1,683
Gross profit				
Operating expenses:				
Research and development		(52)	(60)	(125)
Selling and marketing		(263)	(323)	(652)
General and administrative		(974)	(1,098)	(2,250)
Other income (expenses)		16	(40)	(29)
		(1,273)	(1,521)	(3,056)
Operating loss		(461)	(525)	(1,373)
Finance income		25	413	814
Finance expenses		(318)	(110)	(447)
Net finance Income (expenses)	8	(293)	303	367
Total comprehensive loss for the year		(754)	(222)	(1,006)
Loss per share:				
Basic and diluted loss per share (in dollars)	4	(0.014)	(0.004)	(0.019)

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

T42 IOT TRACKING SOLUTIONS PLC
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
U.S. Dollars in thousands

	Share Capital *	Premium on Shares	Capital Reserve	Capital Reserve for Share- based payment	Accumulated Loss	Total
(Unaudited)	-	13,531	89	1,246	(15,404)	(538)
Balance- January 1, 2023						
Share based payment - Note 4	-	-	-	4	-	4
Comprehensive loss for the period	-	-	-	-	(754)	(754)
Balance - June 30, 2023	-	13,531	89	1,250	(16,158)	(1,288)
(Unaudited)						
Balance- January 1, 2022	-	13,351	89	1,151	(14,398)	193
Exercise of options (Note 4)	-	74	-	-	-	74
Share based payment	-	-	-	48	-	48
Comprehensive loss for the period	-	-	-	-	(222)	(222)

Balance- June 30, 2022	-	13,425	89	1,199	(14,620)	93
(Audited)						
Balance- January 1, 2022	-	13,351	89	1,151	(14,398)	193
Issuance of share capital (net of expenses)	-	180	-	-	-	180
Share based payment	-	-	-	95	-	95
Comprehensive loss for the year	-	-	-	-	(1,006)	(1,006)
Balance- December 31, 2022	-	13,531	89	1,246	(15,404)	(538)

* An amount less than one thousand.

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

T42 IOT TRACKING SOLUTIONS PLC

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Six Months Ended June 30		Year Ended December 31
	2023	2022	2022 Audited
	Unaudited	Unaudited	
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:			
Comprehensive loss	(754)	(222)	(1,006)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	225	211	437
Interest expense and exchange rate differences	55	(221)	(374)
Share-based payment expense	4	48	95
Inventory write down	-	-	-
Intangible assets impairment	-	-	-
Capital gain	-	-	(24)
Changes in assets and liabilities:			
Decrease (Increase) in inventories	82	(444)	209
Decrease in trade receivables, net	(99)	34	191
Decrease (Increase) in other receivables	46	62	89
Increase in Income Tax Authorities	-	(1)	-
Increase (Decrease) in trade payables	158	72	(90)
Increase (Decrease) in other payables	385	(297)	(478)
Net cash provided by (used in) operating activities	102	(758)	(951)
CASH FLOWS FOR INVESTING ACTIVITIES:			
Purchases of property and equipment	(8)	(333)	(318)
Decrease (Increase) in short-term deposits	(2)	23	24
Purchase of intangible assets	(72)	(83)	(166)
Net cash used in investing activities	(82)	(393)	(460)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of short-term bank credit, net	(2)	37	(152)
Receipt (Repayment) of short-term loans from banks, net	(135)	(65)	-
Receipt of long-term loans	-	-	-
Receipt of loans, net	250	-	250
Proceeds from (Repayment to) shareholders and related parties, net	28	(4)	28
Repayment of Leasehold liability	(86)	(80)	(174)
Receipt (Repayment) of long-term loans	(34)	(34)	(81)
Proceeds from issue of shares, net	-	74	180
Net cash provided by (used in) financing activities	21	(72)	51
Increase (Decrease) in cash and cash equivalents	41	(1,223)	(1,360)
Cash and cash equivalents at the beginning of the period	174	1,534	1,534
Cash and cash equivalents at the end of the period	215	311	174
Appendix A - Additional Information			
Interest paid during the period	189	(73)	251
Appendix B - Non-cash financing activities			
Issuance of shares to a related party in payment of debt	103	-	-
Issuance, of a convertible loan note in lieu of settlement of a supplier debt	-	418	319
The Company had non-cash activities in the period of entering into new lease agreements of 103 thousand \$.			

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

T42 IOT TRACKING SOLUTIONS PLC**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****U.S. Dollars in thousands****NOTE 1 - GENERAL INFORMATION****a. The Reporting Entity**

1. t42 IoT Tracking Solutions PLC ("the Company") was incorporated in Jersey on November 28, 2012. The Group provides real-time tracking, security, and monitoring solutions for the global supply chain, logistics, container, and freight market.

See Note 1 (c) regarding the Company's efforts to raise additional funds.

The Company fully owns t42 Ltd., an Israeli company that engages in the same field, and Starcom Systems Limited, a company in Jersey.

The Company's shares are admitted for trading on the London Stock Exchange's AIM market.

Address of the official Company office in Israel of t42 Ltd. is:
96 Derech Ramatayim, Hod-Hasharon, Israel.

Address of the Company's registered office in Jersey of Starcom Systems Limited is:
IFC5, St Helier, Jersey, JE1 1ST

b. Definitions in these financial statements:

1. International Financial Reporting Standards (hereinafter: "IFRS") - Standards and interpretations adopted by the International Accounting Standards Board (hereafter: "IASB") that include international financial reporting standards (IFRS) and international accounting standards (IAS), with the addition of interpretations to these Standards as determined by the International Financial Reporting Interpretations Committee (IFRIC) or interpretations determined by the Standards Interpretation Committee (SIC), respectively.
2. The Company - t42 IoT Tracking Solutions PLC
3. The subsidiaries - t42 Ltd. and Starcom Systems Limited.
4. Starcom Jersey - Starcom Systems Limited.
5. T42 Israel - t42 Ltd.
6. The Group - t42 IoT Tracking Solutions PLC and the Subsidiaries.
7. Related party - As determined by International Accounting Standard No. 24 in regard to related parties.

c. Significant event during and after the period:

During July 2023, the Company raised \$1.3m (before expenses) to support both existing orders and the Company's new lease-based order strategy and to repay certain existing loans. The funding is in the form of a secured convertible loan ("Loan") provided to t42 Limited by Ewave Mobile Ltd.) ("Lender"), an international group providing solutions across a range of sectors, including supply chain management.

T42 IOT TRACKING SOLUTIONS PLC**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****U.S.
Dollars in
thousands**

The Loan, which carries interest at 10% per annum, payable quarterly on the principal drawn, was drawn down as to \$600,000 immediately, \$400,000 in three equal tranches during August 2023, and the balance of \$300,000 by 30 September 2023.

The Loan, together with accrued interest at the time of conversion, may be converted, at the discretion of the Lender, at any time prior to the Loan repayment date of 20 January 2025, into such number of new t42 ordinary shares as corresponds to 29.5% of the Company's issued ordinary share capital immediately following such conversion. The Loan may be converted in part, on a pro rata basis to the above terms.

In order to meet the cashflow requirements deriving from the growing current and future backlog of orders and managing current and potential activities in the remainder of 2023, the Company will be dependent on the necessary funding being secured.

T42 IOT TRACKING SOLUTIONS PLC**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. Dollars in thousands

NOTE 2 - BASIS OF PREPARATION AND CHANGE IN THE GROUP'S ACCOUNTING POLICIES**a. Basis of preparation**

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").

The interim consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2022 and for the year ended on that date and with the notes thereto.

The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2022 are applied consistently in these interim consolidated financial statements.

b. Revenue from a contract with a customer with a significant finance component

The Group entered a contract with a client that has a significant financing component considering the length of time between the customers' payment and the transfer of the products, as well as the prevailing interest rate in the market. As such, the transaction price for these contracts is discounted, using the interest rate implicit in the contract and finance income is recorded accordingly.

c. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management of the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The judgment of management, when implementing the Group accounting policies and the basic assumptions utilized in the estimates that are bound up in uncertainties are consistent with those that were utilized to prepare the annual financial statements.

Information about critical judgment in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is included in the following Notes:

Note 5 - financial liabilities of convertible loans and warrants.

d. Exchange rates:

	As of June 30		As of December 31
	2023	2022	2022
Exchange rate of NIS in U.S. \$	0.27	0.286	0.284
Exchange rate of U.S. \$ in GBP	0.79	0.826	0.83

	Six Months Ended June 30		Year Ended December 31
	2023	2022	2022
Change of NIS in U.S. \$	(4.9%)	(11.27%)	(11.6%)
Change of U.S. \$ in GBP	(4.6%)	11.68%	12.2%

T42 IOT TRACKING SOLUTIONS PLC**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. Dollars in thousands

NOTE 3 - INTANGIBLE ASSETS, NET**Cost:**

Balance as of January 1, 2023
Additions during the period

Total
Unaudited
1,884
72

Financials during the period	-
Balance as of June 30, 2023	1,956
 Accumulated Depreciation:	
Balance as of January 1, 2023	(863)
Amortization during the period	(95)
Balance as of June 30, 2023	(958)
 Impairment of assets	-
 Net book value as of June 30, 2023	998
 Cost:	Total
Balance as of January 1, 2022	1,718
Additions during the period	83
Balance as of June 30, 2022	1,801
 Accumulated Depreciation:	
Balance as of January 1, 2022	(684)
Amortization during the period	(89)
Balance as of June 30, 2022	(773)
 Impairment of assets	-
 Net book value as of June 30, 2022	1,028

Cost:	Total
Balance as of January 1, 2022	1,718
Additions during the year	166
Balance as of December 31, 2022	1,884
 Accumulated Amortization:	
Balance as of January 1, 2022	(684)
Depreciation during the year	(179)
Balance as of December 31, 2022	(863)
 Net book value as of December 31, 2022	1,021

T42 IOT TRACKING SOLUTIONS PLC
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
U.S. Dollars in thousands

NOTE 4 - SHARE CAPITAL

- a. Composition - ordinary shares of no-par value, issued and outstanding - 54,026,822 shares and 54,026,822 shares as of June 30, 2023, and December 31, 2022, respectively.
- b. A Company share grants to its holder voting rights, rights to receive dividends and rights to net assets upon dissolution.
- c. Weighted average number of shares used for calculation of basic and diluted loss per share:

	June 30 2023	June 30 2022	December 31 2022
	Unaudited	Unaudited	Audited
Number	54,026,822	52,833,452	52,830,858

The following table lists the number of share options and warrants with the exercise prices of share options during the reported period:

	Six months ended June 30, 2023		Twelve months ended December 31, 2022	
	Unaudited		Audited	
	Number of options and warrants	Weighted average exercise price	Number of options	Weighted average exercise price
	£	£	£	£

Share options outstanding at beginning of period	12,545,222	0.177	10,122,112	0.206
Share options granted during the period	-	-	2,976,185	0.07
Shares options exercised during the period	-	-	(500,000)	0.12
Share options expired during the period	1,138,339	0.37	(53,075)	0.12
Share options outstanding at end of period	<u>11,406,883</u>	<u>0.158</u>	<u>12,545,222</u>	<u>0.177</u>
Share options exercisable at end of period	<u>11,243,883</u>	<u>0.152</u>	<u>12,215,555</u>	<u>0.171</u>

For the six months ended June 30, 2023 and 2022 the Company recognized share based payment expenses, in the amount of \$4 and \$48, respectively.

T42 IOT TRACKING SOLUTIONS PLC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

NOTE 5 - FINANCIAL LIABILITIES OF CONVERTIBLE LOANS AND WARRANTS

a. During December 2021, the Company received, from third parties, loans in the total amount of \$1,251,000 (£925,000) in the form of unsecured convertible loans enabling the lenders to convert the loans at an exercise price of £0.15 per share at any time, subject to regulatory provisions, up to December 31, 2023. The convertible loans attract interest at the rate of 8% per annum calculated by reference to the principal amount of the convertible loans. If not converted, the loans will be repayable on December 31, 2023.

In addition, the lenders received:

- fully vested warrants to subscribe a total of 1,541,667 further shares at an exercise price of £0.17 per share; any unexercised warrants expire at the end of two-years from grant, and fully vested warrants to subscribe a total of 1,541,667 further shares at an exercise price of £0.19 per share; any unexercised warrants expire at the end of three-years from grant.

The loan was evaluated and divided into different components by an independent appraiser: Conversion component at fair value, Warrants at fair value and Amortized cost of loan, with Transaction costs allocated according to the component's fair value ratio (please see table in 5(d) below). The part of the expenses that is attributed to the amortized cost of the loan was reduced from its cost. An effective interest rate was calculated for the liability of the loan, based on its amortization table.

b. During December 2022, the Israeli subsidiary entered into a loan agreement with CSS Alpha Global Pte Ltd for the provision of a 12-month secured US\$500,000 debt facility. The Agreement provided, inter alia, for interest at 2 per cent per month, with 9 monthly repayments starting 3 months after drawdown. Security is by way of a second charge on assets, a personal, guarantee from the Company's CEO, limited to 20 per cent of the loan and a deposit with CSS of 3,000,000 new t42 shares. In addition, warrants for a total of 2,976,185 shares in t42 were issued to CSS, exercisable at 7p per share over 5 years. The initial drawdown was provided in December 2022, the second and last drawdown was provided in January, 2023. The Company repaid \$42,000 during the 6 month reported period, and another \$300,000 after the reported period. This loan will shortly be fully repaid.

c. In December 2022, the Company issued a £265,000 convertible loan note (CLN) to a supplier, to be applied in lieu of settlement of a supplier debt, assisting with the Company's cashflow management. The CLN bears interest at 3% per annum, payable quarterly, and is repayable by 31 December 2024. The CLN is convertible at 9p per share at the discretion of the holder. In addition, the Company has the right to enforce conversion of £100,000 of the CLN in the event t42's share price exceeds 12p and the balance if the share price exceeds 15p.

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d. Total revaluation expenses regarding the loan's components in the statement of comprehensive loss for the reported period are set below:

	Loan component	Conversion component	Warrant
Balance as of January 1, 2022	857	279	118
Additions during the year	480	27	77
Finance (income) expenses	131	(272)	(117)
Payments	(15)	-	-

Balance as of December 31, 31, 2022	1,453	34	78
Additions during the year	250	-	-
Finance (income) expenses	274	(20)	(26)
Payments	(113)		
Conversion	-	-	-
Balance as of June 30, 2023	1,864	14	52

T42 IOT TRACKING SOLUTIONS PLC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

e. For the period ended June 30, 2023, the estimated fair values of the Warrants and the Convertible component were measured by an independent appraiser as follows:

	Period ended June 30, 2023
Expected term	0.5-4.5 Years
Expected average volatility	40%
Expected dividend yield	-
Risk-free interest rate	5.341%
Fair value at the end of the period	£0.0176

The level of the fair value hierarchy is level two.

Common Stock Market Value measured in calculation \$0.055

f. In March 2022, 500,000 ordinary shares of no par value were issued at a price of 12p per share following the exercise of warrants by directors.

T42 IOT TRACKING SOLUTIONS PLC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

NOTE 6 - SHAREHOLDERS AND RELATED PARTIES

Related parties that own the controlling shares in the Group are:

a.

Mr. Avraham Hartman (10.53%) and Mr. Uri Hartman (5.56%).

b. Short-term balances:

	June 30		December 31	
	2023		2022	
	Unaudited	Unaudited	2022	Audited
Credit balance				
Avi Hartmann	(21)	(15)		(20)
Uri Hartmann	(554)	(508)		(545)
Total Credit balance	<u>(575)</u>	<u>(523)</u>		<u>(565)</u>
Loans				
Avi Hartmann	49	53		69
Uri Hartmann	(246)	(238)		(248)
Total Loans	<u>(197)</u>	<u>(185)</u>		<u>(179)</u>
Total Short-term balances	<u>(772)</u>	<u>(708)</u>		<u>(744)</u>

c. Transactions:	Six Months Ended June 30		Year Ended December 31
	2023 Unaudited	2022 Unaudited	2022 Audited
Total salaries, services rendered and related expenses for shareholders	178	195	381
Total share-based payment expenses	2	2	3
Non-executive directors' fees	38	56	95
Interest to related parties	5	5	10

NOTE 7 - COST OF SALES

	Six Months Ended June 30		Year Ended December 31
	2023 Unaudited	2022 Unaudited	2022 Audited
Purchases and other	882	1,536	1,970
Amortization	95	89	180
(Decrease) Increase in Inventory	(82)	(444)	208
	895	1,181	2,358

T42 IOT TRACKING SOLUTIONS PLC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

NOTE 8 - NET FINANCE (INCOME) EXPENSES

	Six Months Ended June 30		Year Ended December 31
	2023 Unaudited	2022 Unaudited	2022 Audited
Exchange rate differences	25	292	455
Evaluation of Warrants and	(117)	96	359
Convertible component of loan			
Bank charges	(31)	(40)	(50)
Interest to banks and others	(163)	(40)	(382)
Interest to suppliers	-	-	(5)
Interest to related parties	(5)	(5)	(10)
Interest income from deposits	-	-	-
Net finance income (expenses)	(291)	303	367

NOTE 9 - SEGMENTATION REPORTING

Differentiation policy for the segments:

The Company's management has defined its segmentation policy based on the financial essence of the different segments. This refers to services versus goods, delivery method and allocated resources per sector.

On this basis, the following segments were defined: Hardware and SaaS.

Segment information regarding the reported segments:

	Hardware	SaaS	Total
Period Ended 30.06.2023: (Unaudited)			
Segment revenues	728	979	1,707
Cost of sales	(753)	(142)	(895)
Gross profit	(25)	837	812
Period Ended 30.06.2022: (Unaudited)			
Segment revenues	1,086	1,091	2,177
Cost of sales	(1,056)	(125)	(1,181)
Gross profit	30	966	996
Year Ended 31.12.2022: (Audited)			
Segment revenues	2,065	1,976	4,041
Gross profit (loss)	(2,105)	(253)	(2,358)

<u>(40)</u>	<u>1,723</u>	<u>1,683</u>
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NOTE 10 - SIGNIFICANT EVENTS DURING AND AFTER THE REPORTED PERIOD

See Note 1 (c).



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