



October 23, 2023

Haikon Systems Ltd

(the "Company")

In honor
of the Tel Aviv Stock Exchange Ltd. www.tase.co.il

In honor
of the Securities
Authority www.isa.gov.il

Subject: An update on the company's situation and efficiency plan

Further to what was detailed in the company's¹ interim report for the period ending on June 30, 2023, among other things, as part of the company's auditor's attention to significant doubts regarding the company's continued existence as a "going concern", the company hereby announces that on October 19, 2023, it received The company received a letter of commitment from a number of shareholders and other parties to invest in the company, and the company also began

As described below: , implementing an efficiency plan

1. As mentioned, on October 19, 2023, the company received a letter of commitment to invest capital in the amount of approximately 2.5 million dollars in the shares of the company from the main shareholders in the company, Landa Ventures, the JVP Fund and the LR Group, from the strategic partner, SEE - Corporation Air Sealed and also from its main supplier, the Chip Processing Company (1994) Ltd.

And subject to the fact that the² The aforementioned commitment will come into effect after the consolidation of the capital and the increase of the registered capital, company will act to carry out a public offering, a private offering, a rights issue, or any combination thereof, within 60 days (and in the event that the aforementioned investment was made as part of a rights issue whose scope did not allow any of the signatories of the letter of commitment to complete the full amount of their commitment, the commitment will also apply to Another issue that the company will carry out within 60 days from the date of receiving the proceeds as part of the rights issue). The company considers this amount of 2.5 million dollars as a minimum investment amount and hopes that it will be able to raise a larger amount from other investors.

It should be noted that the part of the aforementioned commitment given by SEE will be realized as a conversion loan under conditions similar to the terms of the loan granted so far, but at a conversion price identical to the price of the issues in which the other signatories³ will participate the letter of commitment.

2. On October 9, 2023, the company signed a strategic cooperation agreement with Corrugated BHS, the world's leading supplier of corrugators for the corrugated cardboard market. The cooperation will include sales to the corrugated cardboard market as well

Published on August 31, 2023 Reference number: 2023-01-101670 ("Interim Report"). See¹
the summons report for the general meeting convened for November 20, 2023 Reference number: 2023-01-116154²
3 See immediate reports from December 6, 2022 and from September 14, 2023, reference numbers: 2022-01-147535 and 2023-01-106998
respectively.



Support in the logistics system and the production costs of the company's systems. The agreement entered into force following the receipt of the aforementioned letter of commitment regarding the investment in the company's capital.

3. On October 23, 2023, the company received orders for two C2 Beam systems in a total amount of approximately 4 million dollars.

Advances at a significant rate of about 55% - for the said sales are expected to be received already in the coming weeks.

4. To settle the postponement of the loan repayment date 4. On October 22, 2023, the company received the consent of the financing bank, taken by the company in a total amount of approximately 3.3 million dollars until July 2024

5. At the same time, the company's board of directors recently approved an up-to-date business plan intended for implementation later this year and in 2024, with the aim of moving the company to a positive cash flow towards profitability during 2024. An integral part of the plan also includes significant efficiency, reducing the company's cash burn rate) Among other things, an expected reduction of about 6-7 million dollars in annual salary costs through a reduction in BCA, which includes a reduction in the company's management

at a total rate of about 38% - and freezing investment in long-term projects for the period of the next 12 months, while maintaining the ability to renew them at the appropriate time in the future.

As part of this reduction, the employment of the VP of Finance and the VP of Operations in the company is expected to end. The operations organization will be split between the customer support organization and the research and development organization, as the case may be, and the VP of Operations will end his position after an orderly job transfer. The CFO will finish her position in the coming months after overlapping with a replacement who will be recruited to manage the finances in the updated scope of the company's activities. This action is added to the actions that the company carried out starting in the second quarter of 2023 to reduce its operating expenses. These actions included, among other things, the reduction of personnel and labor costs, the directors' agreement to reduce and postpone compensation, as well as the postponement of certain development activities and equipment.

The updated business plan was built, among other things, taking into account the aforementioned regarding revenues, investments in the company's capital, and deferring financing expenses, all in an aggregate amount of almost 10 million dollars, and also taking into account the increase in the number of works performed by the company's customers on systems that the company sold to them (an increase of approximately 29% - in the first three quarters of 2023 compared to the corresponding period last year).

As mentioned, the company is expected in the near future to act to raise funding sources, at this stage the company is considering the possibility of making a public offering and immediately after that a rights offer to its shareholders.

The company's board of directors will continue to convene from time to time for the purpose of discussing the implementation of the efficiency plan, the company's financial situation, examining suitable alternatives and making additional decisions, as required, and the company will publish immediate and updated reports accordingly, as required.

4 For details about the company's credit frameworks and the loans it has taken, see section 23 of chapter A (report describing the corporation's business), of the company's periodic report for the year 2022, reported on March 31, 2023 (reference number: 2023-01-036492) and section 9 of the board of directors' report included As part of the interim report.



It will be clarified that the above estimates, including the execution of the sales detailed above and the raising of financing sources, constitute forward-looking information (as this term is defined in the Securities Law, 1968), based on the information in the company's possession as of the date of this report and on estimates, estimates or intentions of the company as of the date of this report, and that there is no certainty that the adoption of the efficiency plan or the mobilization of financing sources will bear fruit or lead to the desired results. The said information and the actual development of events may differ, even substantially, including due to events that are influenced by factors beyond the control of the company, including This is due to the security situation currently prevailing in the State of Israel, which may also delay the completion of fundraising as mentioned.

This report does not constitute an offer to the public or an invitation to purchase the company's securities.

Sincerely,

Haikon Systems Ltd

Through: Shlomo Nimrodi, CEO
Michal Levi Shapint, CFO