

inc.jet Holding, Inc
Condensed Consolidated Financial Statements
(Unaudited)
Interim Periods Ended June 30, 2024 and 2023

inc.jet Holding, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(dollar amounts in thousands, except share and per share data)

	June 30, 2024	December 31, 2023
Assets		
Current Assets:		
Cash	\$ 3,321	\$ 3,222
Accounts receivable, less allowance of \$31 in 2023 and 2022	1,786	1,989
Inventories	4,281	3,799
Other current assets	101	199
Total current assets	9,489	9,209
Equipment and leasehold improvements	1,172	1,150
Accumulated depreciation and amortization	(551)	(496)
	621	654
Patents, net of amortization	20	24
Deferred income taxes	1,594	1,522
Lease - right-of-use	108	162
	1,722	1,708
Total Assets	\$ 11,832	\$ 11,571
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Accounts payable	\$ 1,654	\$ 1,455
Accrued expenses	525	738
Accrued warranty	588	563
Lease payable	108	108
Total current liabilities	2,875	2,865
Long Term Liabilities:		
Leases payable, less current portion	-	54
Total long term liabilities	-	54
Total liabilities	2,875	2,918
Stockholders' Equity:		
Preferred stock, \$.001 par value: 500,000 shares authorized; none issued	-	-
Common stock, \$.001 par value: 32,000,000 shares authorized; 18,572,649 shares issued and outstanding	19	19
Additional paid-in capital	19,238	19,461
Accumulated deficit	(10,300)	(10,827)
Total Stockholders' Equity	8,957	8,652
Total Liabilities and Stockholders' Equity	\$ 11,832	\$ 11,571

See accompanying notes.

inc.jet Holding, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(dollar amounts in thousands, except share and per share data)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Sales:				
Systems	\$ 1,483	\$ 2,081	\$ 3,577	\$ 3,985
Supplies	3,285	2,314	6,549	4,810
Total sales	<u>4,768</u>	<u>4,395</u>	<u>10,126</u>	<u>8,795</u>
Cost of sales:				
Systems	880	1,089	2,007	2,207
Supplies	2,348	1,663	4,756	3,450
Total cost of sales	<u>3,228</u>	<u>2,752</u>	<u>6,763</u>	<u>5,657</u>
Gross profit	<u>1,540</u>	<u>1,643</u>	<u>3,363</u>	<u>3,138</u>
Operating expenses:				
Selling and administrative	745	664	1,500	1,312
Research and development	641	421	1,157	851
Total operating expenses	<u>1,386</u>	<u>1,085</u>	<u>2,657</u>	<u>2,163</u>
Operating income	154	558	706	975
Interest income, net	(33)	(17)	(69)	(33)
Income before income taxes	187	575	775	1,008
Income tax expense	59	142	248	250
Net income	<u>\$ 128</u>	<u>\$ 433</u>	<u>\$ 527</u>	<u>\$ 758</u>
Basic and diluted net income per share	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.03</u>	<u>\$ 0.04</u>
Weighted-average number of common shares outstanding:				
Basic	<u>18,572,649</u>	<u>19,242,110</u>	<u>18,518,975</u>	<u>18,572,649</u>
Diluted	<u>18,733,305</u>	<u>19,642,444</u>	<u>18,678,745</u>	<u>18,970,304</u>

See accompanying notes.

inc.jet Holding, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands)

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u> <u>Capital</u>	<u>Deficit</u>	
Balance, December 31, 2022	18,572,649	\$ 19	-	\$ -	\$ 19,431	\$ (12,191)	\$ 7,259
Stock-based compensation expense	-	-	-	-	8	-	8
Net income	-	-	-	-	-	324	324
Balance, March 31, 2023	18,572,649	\$ 19	-	\$ -	\$ 19,439	\$ (11,867)	\$ 7,591
Stock-based compensation expense	-	-	-	-	7	-	7
Net income	-	-	-	-	-	434	434
Balance, June 30, 2023	18,572,649	\$ 19	-	\$ -	\$ 19,446	\$ (11,433)	\$ 8,032
Stock-based compensation expense	-	-	-	-	7	-	7
Net income	-	-	-	-	-	464	464
Balance, September 30, 2023	18,572,649	\$ 19	-	\$ -	\$ 19,453	\$ (10,969)	\$ 8,503
Stock-based compensation expense	-	-	-	-	8	-	8
Net income	-	-	-	-	-	142	142
Balance, December 31, 2023	18,572,649	\$ 19	-	\$ -	\$ 19,461	\$ (10,827)	\$ 8,653
Stock-based compensation expense	-	-	-	-	7	-	7
Net income	-	-	-	-	-	399	399
Repurchase of stock	(53,674)	-	-	-	(32)	-	(32)
Balance, March 31, 2024	<u>18,518,975</u>	<u>\$ 19</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 19,436</u>	<u>\$ (10,428)</u>	<u>\$ 9,027</u>
Stock-based compensation expense	-	-	-	-	7	-	7
Net income	-	-	-	-	-	128	128
Repurchase of stock and options	-	-	-	-	(205)	-	(205)
Balance, March 31, 2024	<u>18,518,975</u>	<u>\$ 19</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 19,238</u>	<u>\$ (10,300)</u>	<u>\$ 8,957</u>

See accompanying notes.

inc.jet Holding, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(dollar amounts in thousands)

	Six Months Ended June 30,	
	2024	2023
Continuing operating activities:		
Net income	\$ 527	\$ 758
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	59	63
Deferred income taxes	(70)	13
Repurchase of stock	(237)	-
Stock-based compensation	14	15
Changes in operating assets and liabilities:		
Accounts receivable	261	631
Inventories	(482)	(110)
Prepaid expenses and other assets	151	75
Accounts payable	198	(301)
Accrued expenses	(300)	(79)
Net cash provided by (used in) operating activities	121	1,066
Investing activities:		
Net cash used in investing activities	(22)	-
Financing activities:		
Net cash used in financing activities	-	-
Change in cash	99	1,066
Cash, beginning of period	3,222	1,028
Cash, end of period	\$ 3,321	\$ 2,094

See accompanying notes.

inc.jet Holding, Inc
Notes to Condensed Consolidated Financial Statements
(Unaudited)
June 30, 2024
(Dollars in thousands, except per share data)

1. Basis of Presentation:

In the opinion of management of inc.jet Holding, Inc. (the “Company”), the accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows for the interim periods presented. However, they do not include all disclosures required for a complete set of financial statements. As such, these financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s audited financial statements for the year ended December 31, 2023. The condensed consolidated balance sheet as of December 31, 2023 was derived from the 2023 audited financial statements. The results of operations for the interim periods are not necessarily indicative of results to be expected for the full year.

2. Inventories

Inventories consist of:

	June 30, 2024	December 31, 2023
Raw materials and sub-assemblies	\$ 2,985	\$ 2,721
Work-in-process	31	8
Finished goods	1,265	1,070
	\$ 4,281	\$ 3,799

3. Debt

The Company obtained a Commercial Revolving Loan Agreement on December 14, 2018 with Citizens Bank that provides for a Demand Note (the “Note”) of \$1,250. Borrowings under the Note bear interest at 3.50% above the LIBOR Advantage Rate, as defined. Proceeds from the Note are to be used to finance working capital related to ongoing operations. Collateral for the Note is substantially all of the Company’s operating assets. There was no borrowing outstanding at June 30, 2024 or December 31, 2023.

4. Common Stock Options and Capital Stock

On July 17, 2018, the Company entered into a Non-Qualified Stock Option Award Agreement (the “Agreement”) with its then President and Chief Executive Officer. Under the Agreement, the Company granted 1,000,000 non-qualified common stock options with an exercise price of \$0.30 a share. The options vest 33% on each of the first three annual anniversaries from the grant date and have a five-year term. The options automatically vest in the event of a change of control, as defined.

On February 28, 2020, the Company signed a Separation Agreement (the “Separation”) amending the Agreement. The Separation amended the number of granted stock options to 500,000 and accelerated the vesting of 166,000 stock options, thereby vesting the full 500,000 stock options at that time. On April 25, 2024, the Company purchased and cancelled the options within the amended Agreement. As of June 30, 2024, there are no stock options outstanding.

The Company's employees and board members participate in the Stock Option Plan (the “Plan”) that was adopted on May 25, 2021. The Plan is administered by the Compensation Committee (the “Committee”) authorized by the Board of Directors. The Committee has the authority to grant, under the terms and conditions of the Plan, to eligible individuals, options, unit appreciation rights, restricted units, other unit-based awards and other cash-based awards. The number of Company common shares available under the Plan is 1,000,000. The exercise price per share will be determined by the Committee at the time of the grant. The exercise price per share may not be less than the fair value of the Company’s common stock on the grant date. No option may have a term in excess of ten years.

4. Common Stock Options and Capital Stock - concluded

On May 25, 2021, the Company entered into Incentive Stock Option Award Agreements (the “2021 Agreements”) with its President and Chief Executive Officer, its Vice President and Chief Financial Officer, and its Director of Marketing. Under the 2021 Agreements, the Company granted a total of 700,000 incentive stock options with an exercise price of \$0.47 a share. The options vested 20% upon grant and 20% on each of the second through fifth anniversaries from the grant date and have a seven-year term. The options automatically vested in the event of a change of control, as defined. As of March 31, 2024, there are 700,000 stock options outstanding.

The Company recognizes compensation expense related to stock options granted to its employees based on their fair value on the grant date. The fair value of each option is estimated using the Black-Scholes option-pricing model. The Company recognizes expense ratably over the service period.

5. Contingencies and Uncertainties

From time to time, the Company is a party to legal proceedings arising in the ordinary course of business. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, operating results or cash flows.

6. Recent Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. In the case where it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its financial reporting, and assures that there are proper controls in place to ascertain that the Company's financial statements properly reflect the change.