Exhibit 99.1

RADA ELECTRONIC INDUSTRIES LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

U.S. DOLLARS IN THOUSANDS

UNAUDITED

INDEX

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INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	June 30, 2021 Unaudited	December 31, 2020 Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 95,655	$ 36,289
Restricted cash	576	567
Trade receivables, net	20,161	14,095
Contract assets	157	756
Other receivable and prepaid expenses	1,273	1,637
Inventories (Note 4)	31,593	28,783
Total current assets	149,415	82,127
NON CURRENT ASSETS:		
Investment in affiliated company (Note 5)	3,000	-
Long-term receivable and other deposits	245	230
Property, plant and equipment, net (Note 6)	16,473	13,968
Deferred tax assets (Note 10)	6,038	-
Operating lease right-of-use assets	11,947	10,581
Total non-current assets	37,703	24,779
Total assets	$ 187,118	$ 106,906

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

INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	June 30, 2021	December 31, 2020
	Unaudited	**Audited**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term loan (Note 8c)	$ -	$ 454
Trade payables	16,648	10,603
Other accounts payable and accrued expenses	9,725	9,855
Advances from customers	4,360	2,323
Contract liabilities	172	232
Operating lease short-term liabilities	2,276	1,885
Total current liabilities	33,181	25,352
LONG-TERM LIABILITIES:		
Accrued severance pay and other long-term liabilities	775	789
Operating lease long-term liabilities	9,651	8,732
Total long-term liabilities	10,426	9,521
SHAREHOLDERS EQUITY:		
Share capital (Note 9) -		
Ordinary shares of NIS 0.03 par value - Authorized: 100,000,000 shares at June 30, 2021 and December 31, 2020; Issued and outstanding: 49,253,171 at June 30, 2021 and 43,724,446 at December 31, 2020 respectively	488	440
Additional paid-in capital	202,159	144,944
Accumulated deficit	(59,136)	(73,351)
Total equity	143,511	72,033
Total liabilities and equity	$ 187,118	$ 106,906

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

INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

	Six months ended June 30, 2021	Six months ended June 30, 2020
	Unaudited	
Revenues	$ 53,472	$ 32,577
Cost of revenues	32,243	20,980
Gross profit	21,229	11,597
Operating expenses:		
Research and development	4,993	4,239
Marketing and selling	2,956	2,385
General and administrative	5,225	4,293
Total operating expenses	13,174	10,917
Operating income	8,055	680
Total financial income, net	122	197
Income tax	6,038	-
Net income	14,215	877
Basic net income per Ordinary share	$ 0.30	$ 0.02
Diluted net income per Ordinary share	$ 0.29	$ 0.02
Weighted average number of Ordinary shares used for computing basic net income per share	47,145,784	43,041,405
Weighted average number of Ordinary shares used for computing diluted net income per share	49,123,135	44,002,634

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands (except number of shares data)

	Number of Ordinary shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total equity
Balance at January 1, 2020	38,456,693	$ 394	$ 120,017*)	$ -*)	$ (78,991)	$ 41,420
Share-based compensation to employees	-	-	682	-	-	682
Issuance of Ordinary shares ,net	4,819,052	41	23,494	-	-	23,535
Exercise of options	209,320	2				2
Net income	-	-	-		877	877
Balance at June 30, 2020 (unaudited)	43,485,065	$ 437	$ 144,193	$ -	$ (78,114)	$ 66,516

	Number of Ordinary shares	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total equity
Balance at January 1, 2021	43,724,446	$ 440	$ 146,139	$ (1,195)	$ (73,351)	$ 72,033
Share-based compensation to employees	-	-	1,326	-	-	1,326
Issuance of Ordinary shares ,net	5,175,000	46	55,891	-	-	55,937
Exercise of options	353,725	2	(2)			-
Net income	-	-	-		14,215	14,215
Balance at June 30, 2021 (unaudited)	49,253,171	$ 488	$ 203,354	$ (1,195)	$ (59,136)	$ 143,511

*) Reclassified

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30, 2021	Six months ended June 30, 2020
	Unaudited	
Cash flows from operating activities:		
Net income	$ 14,215	$ 877
Adjustments required to reconcile net income to net cash used in operating activities:		
Depreciation	1,599	1,014
Severance pay, net	(14)	(96)
Short term loan forgiveness	(454)	-
Share-based compensation to employees	1,326	682
Operating lease right-of-use assets	875	506
Increase in trade receivables, net	(6,066)	(5,168)
Increase in deferred tax assets	(6,038)	-
Operating lease long-term liabilities	(931)	(511)
Increase (decrease) in other receivable and prepaid expenses	366	(748)
Decrease in contract assets	599	224
Increase (decrease) in contract liabilities	(60)	(190)
Increase in inventories	(3,719)	(9,629)
Increase in trade payables	5,380	7,685
Increase (decrease) in other accounts payable and accrued expenses	1,904	(3)
Net cash provided by (used in) operating activities	8,982	(5,357)
Cash flows from investing activities:		
Purchase of equipment	(2,529)	(2,406)
Increase (decrease) in long-term receivables and other deposits	(15)	42
Investment in affiliated company	(3,000)	-
Net cash used in investing activities	(5,544)	(2,364)
Cash flows from financing activities:		
Issuance of shares, net	55,937	23,536
Proceeds from short term loan	-	454
Net cash provided by financing activities	$ 55,937	$ 23,990

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30, 2021	Six months ended June 30, 2020
	Unaudited	
Increase in cash and cash equivalents and restricted cash	59,375	16,269
Cash and cash equivalents and restricted cash at the beginning of the period	36,856	14,134
Cash and cash equivalents and restricted cash at the end of the period	$ 96,231	$ 30,403
(a) Supplemental disclosures of cash flow activities:		
Net cash paid during the period for income taxes	$ 33	$ 13
(b) Non-cash transactions		
Purchase equipment in credit	$ 663	$ 411
Transfer of inventory to equipment	$ 909	$ 352
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 2,241	$ 438

The following table provides a reconciliation of cash and cash equivalents and restricted deposits reported within the interim consolidated balance sheets that sum to the total of such amounts in the interim consolidated statements of cash flows:

	June 30, 2021	June 30, 2020
	Unaudited	
Cash and cash equivalents	$ 95,655	$ 29,908
Restricted cash	576	495
Cash and cash equivalents and restricted cash	$ 96,231	$ 30,403

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

NOTE 1:- GENERAL

RADA Electronic Industries Ltd. (the "Company") is a global defense technology company focused on proprietary radar solutions and legacy avionics systems. The Company is a leader in mini-tactical radars, serving attractive, high-growth markets, including critical infrastructure protection, border surveillance, active military protection and counter-drone applications. The Company also specializes in the design, development, production and sales of avionics systems for fighter aircraft and unmanned aerial vehicles (“UAVs”).

In January 2018, the Company incorporated RADA Sensors Inc. (“RSI”) as a fully owned subsidiary of the Company. As of December 31, 2019, RSI is the holder of 100% of the interests in RADA Technologies LLC, also organized in January 2018. At the time of its organization, RSI was the owner of 75% of RADA Technologies LLC. During July 2019, the Company acquired the remaining 25% interest in RADA Technologies LLC. RSI is also the holder of 100% of the interests in RADA Innovations LLC, which began its operations in 2021.

The Company is organized and operates as one operating segment.

In March 2021, the Company completed an underwritten public offering of 5,175,000 Ordinary shares at a price of $11.50 per share, for a total consideration of $59,215. Offering costs amounted to approximately $3,300.

NOTE 2:- UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Article 10 of U.S. Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments except as otherwise discussed) considered necessary for a fair presentation have been included.

Operating results for the six month period ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

U.S. dollars in thousands (except share data)

NOTE 3:- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these unaudited interim consolidated financial statements are identical to those applied in the preparation of the latest annual financial statements of the Company as of December 31, 2020, set forth in the Company's Annual Report on Form 20-F as filed with the U.S. Securities and Exchange Commission on March 1, 2021, except as discussed below:

Investment in affiliated company:

For investments in non-marketable equity securities without readily determinable fair values where the Company does not have control or the ability to exercise significant influence over the operation and financial policies of the issuer of the securities, the Company has elected to measure these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment in the same issuer. This election is made for each investment separately and is reassessed at each reporting period as to whether the investment continues to qualify for this election. Additionally, at each reporting period, the Company makes a qualitative assessment considering impairment indicators to evaluate whether the investment is impaired.

NOTE 4:- INVENTORIES

	June 30, 2021	December 31, 2020
	Unaudited	Audited
Raw materials and components	$ 23,389	$ 23,744
Work in progress	6,735	3,997
Finished goods	1,469	1,042
	$ 31,593	$ 28,783

NOTE 5:- INVESTMENT IN AFFILIATED COMPANY

In March 2021, the Company signed a share purchased agreement to invest $3 million to acquire 24,020 ordinary shares of Radsee Technologies Ltd. (“Radsee”). Additionally, the Company has a 24 month option to acquire an additional 7,409 ordinary shares of Radsee.

U.S. dollars in thousands (except share data)

NOTE 6:- PROPERTY, PLANT AND EQUIPMENT, NET

	June 30, 2021	December 31, 2020
	Unaudited	Audited
Cost:		
Factory building	$ 1,722	$ 1,722
Machinery and equipment *)	19,778	16,603
Office furniture and equipment	1,393	1,098
Leasehold improvements	3,590	2,959
	26,483	22,382
Accumulated depreciation:		
Factory building	1,722	(*)1,722
Machinery and equipment	7,547	6,170
Office furniture and equipment	288	236
Leasehold improvements	453	(*)286
	10,010	8,414
Property, plant and equipment, net	$ 16,473	$ 13,968

*) As of June 30, 2021 and December 31, 2020, $488 and $423 relate to construction-in- progress of production infrastructure, respectively.

(*) Reclassified

U.S. dollars in thousands (except share data)

NOTE 7:- FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures its financial instruments at fair value. 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 - Valuations based on quoted prices in active markets for identical assets that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, for example, the type of investment, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment and the investments are categorized as Level 3.

The carrying amount of cash and cash equivalents, restricted deposits, trade receivables, other accounts receivable, bank credit and current maturities of long term loans, trade payables and other accounts payable approximate their fair value due to the short-term maturity of these instruments.

Foreign currency derivative contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

The following table presents the Company's liabilities measured at fair value on a recurring basis at June 30, 2021 and December 31, 2020:

	June 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Other accounts receivable and prepaid expenses:				
Foreign currency derivatives	$ -	$ 27	$ -	$ 27
Total	$ -	$ 27	$ -	$ 27

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities:				
Other accounts receivable and prepaid expenses:				
Foreign currency derivatives	$ -	$ 159	$ -	$ 159
Total	$ -	$ 159	$ -	$ 159

NOTE 8:- COMMITMENTS AND CONTINGENT LIABILITIES

a. The Company's research and development efforts have been partially financed through royalty-bearing programs sponsored by the Israel Innovation Authority ("IIA"). In return for the IIA's participation, the Company is committed to pay royalties at a rate ranging from 3% to 5% of sales of the products whose research was supported by grants received from the IIA, up to 100% of the amount of such participation received linked to the U.S. dollar. The obligation to pay these royalties is contingent on actual sales of the product and in the absence of such sales, no payment is required. As of June 30, 2021, the Company received total grants from the IIA in the amount of $5,543.

The total amount of royalties charged to operations for the six months period ended June 30, 2021 and 2020 was approximately $0 and $123, respectively. As of June 30, 2021, the Company's contingent liability for royalties, that are linked to active programs, net of royalties paid or accrued, totaled approximately $0.

b. The Company provides bank guarantees to some of its customers and others, in the ordinary course of business. The guarantees which are provided to customers are to secure advances received at the commencement of a project or to secure performance of operational milestones. The total amount of bank guarantees provided to customers and others, as of June 30, 2021, is approximately $576.

c. In April 2020, the RADA Technologies LLC received approximately $454 in proceeds from an approved loan under the Paycheck Protection Program. Interest accrued on outstanding principal balance at a rate of 1% per annum, computed on a simple interest basis. The loan principal and accrued interest were eligible for forgiveness provided that (i) RADA Technologies LLC used the loan proceeds exclusively for allowed costs including payroll, employee group health benefits, rent and utilities and (ii) employee and compensation levels were maintained. The entire loan was forgiven in March 2021.

NOTE 9:- SHAREHOLDERS' EQUITY

Stock option plans:

In April 2015, the Company's Board of Directors adopted the "2015 Share Option Plan" (the "Plan"), which authorized the grant of options to purchase up to an aggregate of 1,500,000 Ordinary shares to officers, directors, consultants and key employees of the Company and its subsidiaries. Options granted under the Plan expire within a maximum of ten years from adoption of the Plan, In November 2018 the Company's Board of Directors extended the Plan for 10 additional years.

Generally, under the terms of the Plan, unless determined otherwise by the administrator of the Plans, 25% of the option granted becomes exercisable on the first anniversary of the date of grant and 6.25% becomes exercisable once every quarter during the subsequent three years.

In addition, options granted under the plan are granted at the average closing price of our Shares as quoted on NASDAQ during the 30 business days prior to the date the Option is granted.

For our US employees, the exercise price is the higher of (a) the average closing price of our shares as quoted on NASDAQ during the 30 business days prior to the date the option is granted, and (b) the closing price as quoted on NASDAQ on the last trading day preceding the date the option is granted.

These options will be exercisable for 48 months following the date of vesting.

As of June 30, 2021, options to purchase 205,937 Ordinary shares are available for future grant under the Plan.

U.S. dollars in thousands (except share data)

NOTE 9:- SHAREHOLDERS' EQUITY (Cont.)

A summary of the Company's activity for options granted to employees and directors under the Plan is as follows:

	Six months ended June 30, 2021			
	Unaudited			
	Number of options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate Intrinsic Value Price
Outstanding at the beginning of the period	3,290,162	$ 3.57	7.91	$ 8,768
Granted	1,600,000	12.79	-	-
Exercised	(461,402)	2.70	-	-
Forfeiture	(23,125)	4.91	-	-
Outstanding at the end of the period	4,405,635	7.00	8.35	23,808
Exercisable	1,291,533	$ 3.12	7.04	$ 11,710

The weighted average fair value of options granted during the six months ended June 30, 2021 and 2020 was $7,744 and $1,498, respectively.

The intrinsic value of exercisable options (the difference between the closing share price of the Company's Ordinary Shares on the last trading day in the period and the exercise price, multiplied by the number of in-the-money options) represents the amount that would have been received by the option holders had all option holders exercised their options on June 30, 2021. This amount changes based on the fair market value of the Company's Ordinary shares.

The total intrinsic value of options exercised during the six months period ended June 30, 2021 and, during the year ended December 31, 2020, were $4,596, and $4,376, respectively

As of June 30, 2021, unamortized compensation expenses related to stock options to be recognized over an average time of approximately four (4) years is approximately $9,958.

During the six months period ended June 30, 2021, the Company recognized compensation expenses related to stock options in the amount of $1,326, as follows:

	Six months ended June 30,	
	2021	2020
	Unaudited	
Cost of revenues	$ 222	$ 122
Research and development	310	178
Marketing and selling	82	(18)
General and administrative	712	400
	$ 1,326	$ 682

U.S. dollars in thousands (except share data)

NOTE 10:- INCOME TAX

At June 30, 2021, the Company released the valuation allowance against deferred tax assets of its Israeli based company. The Company assesses its ability to recover its deferred tax assets on an ongoing basis. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. In evaluating the ability to recover deferred tax assets, the Company considers available positive and negative evidence including its recent retained earnings, its ability to carry-back losses against prior taxable income and its projected financial results. The Company also considers, commensurate with its objective verifiability, the forecast of future taxable income including the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. A valuation allowance may be recorded in the event it is deemed to be more-likely-than-not that the deferred tax asset cannot be realized. Previously established valuation allowances may also be released in the event it is deemed to be more-likely-than-not that the deferred tax asset can be realized. Any release of valuation allowance will be recorded as a tax benefit which will positively impact the Company's operating results.

Management has determined on the basis of the quarterly assessment performed at June 30, 2021, that these deferred tax assets are more-likely-than-not to be realized. During the six months ended June 30, 2021, the Company released $6,038 of valuation allowance and recorded deferred tax assets primarily related to net operating losses carryforwards ("NOLs").

The Company's quarterly tax provision, and estimates of its annual effective tax rate, is subject to variation due to several factors, including variability in pre-tax income (or loss), the mix of jurisdictions to which such income relates, tax law developments, as well as non-deductible expenses, such as share-based compensation, and changes in its valuation allowance. The income tax benefit was $6,038 for the six months ended June 30, 2021, and income tax benefits were $ 0 for the six months ended June 30, 2020. The income tax expense (benefit) for the periods consisted of income taxes related to Israel.

NOTE 11:- GEOGRAPHIC INFORMATION

a. In accordance with Statement of ASC 280, "Segment Reporting", the Company is organized and operates as one business segment, which develops, manufactures and sells tactical land radars for ground forces and border protection and avionics systems for fighter aircraft and UAVs (see also Note 1a).

b. Revenues by geographic areas:

Revenues are attributed to geographic area based on the location of the end customers as follows:

	Six months ended June 30, 2021	Six months ended June 30, 2020
	Unaudited	
Israel	$ 9,045	$ 11,035
Asia & Australia	3,106	1,210
USA	39,839	12,871
Latin America	132	527
Europe	1,350	6,934
Total	53,472	32,577

Exhibit 99.2

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

The discussion and analysis which follows contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to future events and financial results. These include statements regarding our earnings, projected growth and forecasts, and similar matters which are not historical facts. We remind shareholders that forward-looking statements are merely predictions and therefore are inherently subject to uncertainties and other factors which could cause the actual future events or results to differ materially from those described in the forward-looking statements including, without limitation, the risk factors discussed in our Annual Report on Form 20-F for the year ended December 31, 2020 (the "Annual Report"). All of these factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. Any statements that are forward-looking statements are intended to enable the Company's shareholders to view the anticipated performance and prospects of the Company from management's perspective at the time such statements are made, and they are subject to the risks that are inherent in all forward-looking statements, as described above, as well as difficulties in forecasting the Company's financial results and performance for future periods, particularly over longer periods, given changes in technology and the Company's business strategy, evolving industry standards, intense competition and short product life cycles that characterize the industries in which the Company operates.

The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

The interim condensed consolidated financial statements appearing elsewhere in this report should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report. The results of operations for the six months ended June 30, 2021 are not necessarily indicative of the operating results for the full fiscal year.

Overview

Our activity is primarily focused on the defense electronics market. Our aim is to provide not only state-of-the-art products, but to also provide comprehensive solutions for one or more systems. Our current product lines are:

- Tactical radars for maneuver forces and border protection systems (land based); and
- Military avionics (data/video recorders and core avionics for aircraft and UAVs).

We were incorporated under the laws of the State of Israel on December 8, 1970. We are a public limited liability company under the Israeli Companies Law 1999-5759, or the Israeli Companies Law, and operate under this law and associated legislation.

General

Our interim condensed consolidated financial statements, appearing in this report, are prepared in dollars and in accordance with U.S. GAAP. Transactions and balances originally denominated in dollars are presented at their original amounts. Transactions and balances in other currencies are remeasured into dollars in accordance with the principles set forth in the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC 830. The majority of our sales are made outside of Israel and a substantial part of them are in dollars. In addition, a substantial portion of our costs are incurred in dollars. Since the dollar is the primary currency of the economic environment in which we operate, the dollar is our functional and reporting currency and, accordingly, monetary accounts maintained in currencies other than the dollar are remeasured using the foreign exchange rate at the balance sheet date. Operational accounts and non-monetary balance sheet accounts are measured and recorded at the exchange rate in effect at the date of the transaction. All monetary balance sheet accounts have been remeasured using the exchange rates in effect at the balance sheet date. Statement of operations amounts have been remeasured using the average exchange rate for the period. All balance sheet amounts have been translated using the exchange rates in effect at balance sheet date.

Discussion of Critical Accounting Policies and Estimations

Our critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the notes to our consolidated financial statements. These policies have been consistently applied in all material respects. While the estimates and judgments associated with the application of these policies may be affected by different assumptions or conditions, we believe the estimates and judgments associated with the reported amounts are appropriate under the circumstances. We believe the following accounting policies are the most critical in fully understanding and evaluating our financial condition and results of our operations under U.S. GAAP.

Revenue Recognition. We account for revenue recognition when (or as) we satisfy performance obligations by transferring promised goods or services to our customers in an amount that reflects the consideration we expect to receive. In order to achieve that core principle, we apply the following five-step approach: (1) identify the contract 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 a performance obligation is satisfied.

We generally satisfy performance obligations at a point in time, once the customer has obtained the legal title to the items purchased or service provided. Revenues from long-term and short-term fixed price contracts are usually recognized over time based on the cost-to-cost input method that best depicts the transfer of control over the performance obligation to the customer. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Accounting for income taxes. We adopted FASB ASC 740-10 “Income Taxes,” which contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with ASC 740-10. 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 50% likely to be realized upon ultimate settlement ASC 740-10.

At June 30, 2021, the Company maintained a valuation allowance against deferred tax assets to its Israeli based company. The Company assesses its ability to recover its deferred tax assets on an ongoing basis. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. In evaluating the ability to recover deferred tax assets, the Company considers available positive and negative evidence including its recent retained earnings, its ability to carry-back losses against prior taxable income and its projected financial results. The Company also considers, commensurate with its objective verifiability, the forecast of future taxable income including the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. A valuation allowance may be recorded in the event it is deemed to be more-likely-than-not that the deferred tax asset cannot be realized. Previously established valuation allowances may also be released in the event it is deemed to be more-likely-than-not that the deferred tax asset can be realized. Any release of valuation allowance will be recorded as a tax benefit which will positively impact the Company’s operating results. Management determined on the basis of the quarterly assessment performed at June 30, 2021, that these deferred tax assets are more-likely-than-not to be realized. During the six months ended June 30, 2021, the Company released $6,038 of valuation allowance against the deferred tax assets primarily related to net operating loss carry forwards ("NOLs").

The Company’s quarterly tax provision, and estimates of its annual effective tax rate, is subject to variation due to several factors, including variability in pre-tax income (or loss), the mix of jurisdictions to which such income relates, tax law developments, as well as non-deductible expenses, such as share-based compensation, and changes in its valuation allowance. Our income tax benefit was $6,038 for the six months ended June 30, 2021 and $ 0 for the six months ended June 30, 2020. The income tax expense (benefit) for the periods consisted of income taxes related to our operations in Israel.

Inventory Valuation. The majority of our inventory consists of work in progress, raw materials and components. Inventories are valued at the lower of cost or market. Cost of finished goods is determined on the basis of direct manufacturing costs plus allocable indirect costs representing allocable operating overhead expenses and manufacturing costs. Raw material is valued using the “FIFO” method. We assess the valuation of our inventory on a quarterly basis and periodically write down the value for different finished goods and raw material items based on their potential utilization. If we consider specific inventory to be damaged, we write such inventory down to zero. Inventory write-offs are provided to cover risks arising from slow-moving items, discontinued products, and excess inventories. The process for evaluating these write-offs often requires us to make subjective judgments and estimates concerning the future utilization of the inventory items. Inventory write-offs were $132,000, $230,000, $0 and $0 for the years ended December 31, 2020 and 2019 and the six months ended June 30, 2021 and 2020, respectively.

Allowance for credit losses. Our trade receivables are derived from sales to customers all over the world. We perform ongoing credit evaluations of our customers. In certain circumstances, we may require letters of credit or prepayments. We maintain an allowance for credit losses for estimated losses from the inability of our customers to make required payments that we have determined to be doubtful of collection. We determine the adequacy of this allowance by regularly reviewing our accounts receivable and evaluating individual customer’s receivables, considering the customer’s financial condition, credit history and other current economic conditions. If a customer’s financial condition were to deteriorate, which might impact its ability to make payment, then additional allowances may be required. Provisions for doubtful accounts are recorded in general and administrative expenses. Our allowance for doubtful accounts was $2,000, $2,000, $2,000 for six months ended June 30, 2021 and the years ended December 31, 2020 and 2019, respectively.

Stock-based compensation. We account for share-based payment in accordance with ASC 718, "Compensation - Stock Compensation", which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to employees on the date of grant using an option-pricing model. The value of the portion of the award is recognized as an expense over the requisite service periods in the Company's statement of operations. The Company account for forfeitures as they occur.

Explanation of Key Income Statement Items

Revenues. Our revenues are mainly derived from sales of defense electronics products and their supporting systems.

Cost of Revenues. Cost of revenues consists primarily of salaries, raw materials, subcontractor expenses, related depreciation costs, inventory write-downs and overhead allocated to cost of revenues activities.

Research and Development Expenses, net. Research and development expenses consist primarily of salaries for research and development personnel, use of subcontractors and other costs incurred in the process of developing product prototypes.

Marketing and Selling Expenses. Marketing and selling expenses consist primarily of salaries for marketing and business development personnel, marketing activities, public relations, promotional materials, travel expenses, trade shows and exhibitions expenses and success fees to business development consultants.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and related expenses for executive, accounting, legal, administrative personnel, professional fees, provisions for doubtful accounts and other general corporate expenses.

Financial Expenses, Net. Financial expenses consist of interest and bank expenses, interest on loans, deferred charges and currency re-measurement losses. Financial income consists of interest on cash and cash equivalent balances and currency re-measurement gains.

Results of Operations

Revenues. Revenues increased by 64% to $53.5 million in the first half of 2021 compared with revenues of $32.6 million in the first half of 2020. The increase is primarily attributable to the continued acceptance of the Company's proprietary radar solutions.

Cost of Revenues. Cost of revenues increased by 54% to $32.2 million for the six months ended June 30, 2021 from $20.9 million for the six months ended June 30, 2020. The increase in our cost of revenues was mainly attributable to the increase in revenues.

Gross profit. Gross profit totaled $21.2 million in the first half (40% of revenues), an increase of 83% compared to gross profit of $11.6 million in the first half of 2020 (36% of revenues). The increase is attributable to the increase in revenues.

Operating expense. Our operating expenses increased by 21% to $13.2 million in the first six months of 2021 compared to $10.9 million in the first six months of 2020, reflecting the increase in our research and development, marketing and selling and general and administrative expenses that grew as a result of our increased revenues.

Financial income, Net. We had financial income, net of $122,000 in first six months of 2021 compared to financial income, net of $197,000 in the first six months of 2020, as a result of interest obtained on the net proceeds from our March offering of Ordinary shares.

Income tax. A deferred tax asset of $6 million was recorded in the first half of 2021 in view of our continued profitability. No taxes were payable due to the availability of tax loss carryforwards.

Net income. As a result of the foregoing and the forgiveness of a $454,000 loan obtained under the Paycheck Protection Program, we had net income of $14.2 million in the six months ended June 30, 2021 compared to net income $0.9 million in the first six months of 2020.

Liquidity and Capital Resources

We have historically met our financial requirements primarily through cash generated by operations, funds generated by our public offerings, private placements of our Ordinary shares and debt securities, loans from our principal shareholders, short-term loans and credit facilities from banks, research and development grants from the Government of Israel, investment grants for approved enterprise programs and marketing grants from the Government of Israel.

As of June 30, 2021, our cash position (cash and cash equivalents) totaled $95.7 million compared with $36.3 million in cash and cash equivalents as of December 31, 2020. Our improved financial position is attributable to our March 2021 underwritten public offering of 5,175,000 of our Ordinary shares, which provided us with net proceeds of approximately $55.9 million and our net income for the six months ended June 30, 2021.

Net cash provided by operating activities for the first six months of 2021 was $9.0 million. This was primarily due to the increase of our net income, offset by our increase of inventories to support our increased revenues, increase in our deferred tax asset and increase in our trade receivables. For the first six months of 2020, net cash used in operating activities was $5.4 million.

Net cash used in investing activities during the first six months of 2021 was $5.5 million. This was primarily due to the purchase of property, plant and equipment and to our $3 million investment in RadSee Technologies Ltd. Net cash used in investing activities during the first six months of 2020 was $2.4 million.

Net cash provided by financing activities during the first six months of 2021 was $55.9 million, reflecting proceeds received from our March 2021 public offering of our Ordinary shares. During the first six months of 2020, $24 million was provided by financing activities, reflecting proceeds received from our January 2020 public offering of our Ordinary shares.

Corporate Tax Rate

Israeli companies are generally subject to corporate tax at a rate of 23%. The Company believes its deferred tax assets are more-likely-than-not realizable and it does not require a valuation allowance as of June 30, 2021. The Company evaluated its prospective tax rate for creating its deferred taxes based on a weighted average of the tax rate applicable to a Preferred Technological Enterprise in Israel. Consideration was given to Area A status and number of persons expected to be employed in each Area A. An enterprise located in an Area A is taxed at approximately 7.5% while the central area tax rate for a Preferred Technological Enterprise is 12% or 16%. The Company believes it is eligible for these reduced tax rates and that the weighted average tax rate based on the Nexus Formula in the law will be 10.2% which will be used for the Company's deferred tax assets in Israel.

Impact of Currency Fluctuation and of Inflation

A significant portion of the cost of our Israeli operations, primarily personnel and facility-related, is incurred in NIS. Therefore, our NIS related costs, as expressed in dollars, are influenced by the exchange rate between the dollar and the NIS. In addition, if the rate of inflation in Israel will exceed the rate of devaluation of the NIS in relation to the dollar, or if the timing of such devaluations were to lag considerably behind inflation, our cost as expressed in dollars may increase. NIS linked balance sheet items, may also create foreign exchange gains or losses, depending upon the relative dollar values of the NIS at the beginning and end of the reporting period, affecting our net income and earnings per share. Although we may use hedging techniques, we may not be able to eliminate the effects of currency fluctuations. Therefore, exchange rate fluctuations could have a material adverse impact on our operating results and share price.