

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2020

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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To:
Orbit Technologies Ltd.

We have reviewed the financial information of Orbit Technologies Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated balance sheet as of September 30, 2020 and 2019 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine and three months periods then ended in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel.

Based on our review, in our review report dated November 19, 2020 we stated that nothing came to our attention that caused us to believe that the abovementioned interim financial information was not prepared, in all material respects, in accordance with IAS 34.

The accompanying financial information, which is derived from the abovementioned financial information, is condensed financial information and does not include disclosures required by IAS 34. If the omitted disclosures were included in the accompanying financial information, they might influence the user's conclusions about the consolidated financial position, results of operations and cash flows of the Company and subsidiaries. Accordingly, the accompanying financial information is not designed for those who are not informed about such matters.

Tel-Aviv, Israel
November 19, 2020

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

	<u>September 30,</u>		<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	12,518	12,004	12,263
Short-term deposits	5,208	18	5,148
Accounts receivable	11,208	10,198	12,187
Other accounts receivable	885	720	646
Inventories	6,876	8,545	7,340
Amounts due for construction contracts	5,193	4,921	3,560
	<u>41,888</u>	<u>36,406</u>	<u>41,144</u>
NON-CURRENT ASSETS:			
Long-term other assets	10	192	10
Fixed assets	8,023	5,283	8,895
Intangible assets	5,619	5,796	5,750
Deferred taxes	683	632	575
	<u>14,335</u>	<u>11,903</u>	<u>15,230</u>
	<u>56,223</u>	<u>48,309</u>	<u>56,374</u>

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	<u>September 30,</u>		<u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2019</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of Convertible Bonds	-	2,446	2,456
Trade payables	5,421	7,413	5,672
Income taxes payable	49	6	72
Other accounts payable	11,782	10,770	11,187
	<u>17,252</u>	<u>20,635</u>	<u>19,387</u>
NON-CURRENT LIABILITIES:			
Liability for Government grants	716	838	873
Employee benefit liability	266	579	259
Lease payments liability	3,838	583	4,585
Warranty	341	339	329
Deferred taxes	13	17	14
	<u>5,174</u>	<u>2,356</u>	<u>6,060</u>
EQUITY:			
Share capital	6,455	5,758	6,450
Paid-in capital	20,772	15,906	20,725
Warrants	1,761	1,904	1,761
Retained earnings	4,641	1,765	1,808
Reserve for share-based payment	805	989	763
Proceeds from conversion option	-	10	10
Foreign currency translation adjustments	(463)	(563)	(416)
Reserve for defined benefit plans	693	416	693
Treasury shares	(867)	(867)	(867)
<u>Total equity</u>	<u>33,797</u>	<u>25,318</u>	<u>30,927</u>
	<u>56,223</u>	<u>48,309</u>	<u>56,374</u>

The accompanying note is an integral part of the interim consolidated financial statements.

November 19, 2020			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	Daniel Eshchar CEO	Meirav Dudek CEO Deputy & CFO

CONSOLIDATED STATEMENTS OF INCOME

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	U.S. dollars in thousands (except per share data)				
Revenues from sales and contracts performed	36,379	38,447	12,725	13,306	51,762
Cost of sales and contracts performed	24,706	26,379	7,888	9,271	35,953
Gross profit	11,673	12,068	4,837	4,035	15,809
Research and development costs, net	2,358	2,722	1,000	782	3,525
Selling and marketing expenses	3,209	3,653	1,170	1,176	4,739
General and administrative expenses	2,662	2,888	843	801	3,898
Operating income before other expenses	3,444	2,805	1,824	1,276	3,647
Other expenses	100	-	54	-	516
Operating income after other expenses	3,344	2,805	1,770	1,276	3,131
Finance income	208	379	42	143	164
Finance expenses	631	947	385	267	891
Profit before taxes on income	2,921	2,237	1,427	1,152	2,404
Tax expenses	88	44	38	12	168
Net profit	2,833	2,193	1,389	1,140	2,236
Net profit per share attributable to equity holders of the Company (in U.S. dollars):					
Basic profit per share	0.153	0.136	0.075	0.071	0.136
Diluted profit per share	0.153	0.123	0.075	0.066	0.123

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	U.S. dollars in thousands				
Net profit	<u>2,833</u>	<u>2,193</u>	<u>1,389</u>	<u>1,140</u>	<u>2,236</u>
Other comprehensive income (net of tax effect):					
Actuarial profit (loss) from defined benefit plans	-	(63)	(14)	(38)	214
Foreign currency translation adjustments of foreign operation	<u>(47)</u>	<u>(92)</u>	<u>82</u>	<u>(70)</u>	<u>55</u>
Total other comprehensive income (loss)	<u>(47)</u>	<u>(155)</u>	<u>68</u>	<u>(108)</u>	<u>269</u>
Total comprehensive income	<u><u>2,786</u></u>	<u><u>2,038</u></u>	<u><u>1,457</u></u>	<u><u>1,032</u></u>	<u><u>2,505</u></u>

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company									
	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Proceeds from conversion option	Reserve for defined benefit plans	Treasury shares	Total equity
	Unaudited									
U.S. dollars in thousands										
Balance at January 1, 2020 (audited)	6,450	20,725	1,761	1,808	763	(416)	10	693	(867)	30,927
Net profit	-	-	-	2,833	-	-	-	-	-	2,833
Other comprehensive income (loss)	-	-	-	-	-	(47)	-	-	-	(47)
Total comprehensive loss (loss)	-	-	-	2,833	-	(47)	-	-	-	2,786
Exercise of warrants into shares	5	27	-	-	(4)	-	-	-	-	28
Forfeiture of Options	-	20	-	-	(10)	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	56	-	-	-	-	56
Balance at September 30, 2020	<u>6,455</u>	<u>20,772</u>	<u>1,761</u>	<u>4,641</u>	<u>805</u>	<u>(463)</u>	<u>-</u>	<u>693</u>	<u>(867)</u>	<u>33,797</u>

	Equity attributable to equity holders of the Company									
	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Proceeds from conversion option	Reserve for defined benefit plans	Treasury shares	Total equity
	Unaudited									
U.S. dollars in thousands										
Balance at January 1, 2019 (audited)	5,758	15,890	1,904	(428)	997	(471)	20	479	(867)	23,282
Net profit	-	-	-	2,193	-	-	-	-	-	2,193
Other comprehensive income (loss)	-	-	-	-	-	(92)	-	(63)	-	(155)
Total comprehensive loss (loss)	-	-	-	2,193	-	(92)	-	(63)	-	2,038
Exercise of warrants into shares	*)-	2	-	-	(2)	-	-	-	-	-
Forfeiture of Options	-	14	-	-	(4)	-	(10)	-	-	-
Cost of share based-payment	-	-	-	-	(2)	-	-	-	-	(2)
Balance at September 30, 2019	<u>5,758</u>	<u>15,906</u>	<u>1,904</u>	<u>1,765</u>	<u>989</u>	<u>(563)</u>	<u>10</u>	<u>416</u>	<u>(867)</u>	<u>25,318</u>

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company									
	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Proceeds from conversion option	Reserve for defined benefit plans	Treasury shares	Total equity
	Unaudited									
	U.S. dollars in thousands									
Balance at July 1, 2020	6,452	20,752	1,761	3,252	792	(545)	-	707	(867)	32,304
Net profit	-	-	-	1,389	-	-	-	-	-	1,389
Other comprehensive income (loss)	-	-	-	-	-	82	-	(14)	-	68
Total comprehensive loss (loss)	-	-	-	1,389	-	82	-	(14)	-	1,457
Exercise of options into shares	3	17	-	-	(3)	-	-	-	-	17
Forfeiture of Options	-	3	-	-	(3)	-	-	-	-	-
Cost of share based-payment	-	-	-	-	19	-	-	-	-	19
Balance at September 30, 2020	6,455	20,772	1,761	4,641	805	(463)	-	693	(867)	33,797

	Equity attributable to equity holders of the Company									
	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Proceeds from conversion option	Reserve for defined benefit plans	Treasury shares	Total equity
	Unaudited									
	U.S. dollars in thousands									
Balance at July 1, 2019	5,758	15,902	1,904	625	974	(493)	10	454	(867)	24,267
Net profit	-	-	-	1,140	-	-	-	-	-	1,140
Other comprehensive income (loss)	-	-	-	-	-	(70)	-	(38)	-	(108)
Total comprehensive loss (loss)	-	-	-	1,140	-	(70)	-	(38)	-	1,032
Forfeiture of Options	-	4	-	-	(4)	-	-	-	-	-
Cost of share based-payment	-	-	-	-	19	-	-	-	-	19
Balance at September 30, 2019	5,758	15,906	1,904	1,765	989	(563)	10	416	(867)	25,318

*) Less than 1 thousands.

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company										
	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Proceeds from conversion option	Reserve for hedges	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands										
Balance at January 1, 2019	5,758	15,890	1,904	(428)	997	(471)	20	-	479	(867)	23,282
Net Income	-	-	-	2,236	-	-	-	-	-	-	2,236
Other comprehensive income (loss)	-	-	-	-	-	55	-	-	214	-	269
Total comprehensive loss (loss)	-	-	-	2,236	-	55	-	-	214	-	2,505
Exercise of warrants into shares by controlling shareholder	687	4,576	(143)	-	-	-	-	-	-	-	5,120
Exercise of options into shares	5	57	-	-	(57)	-	-	-	-	-	5
Forfeiture of options	-	202	-	-	(192)	-	(10)	-	-	-	-
Cost of share based-payment	-	-	-	-	15	-	-	-	-	-	15
Balance at December 31, 2019	<u>6,450</u>	<u>20,725</u>	<u>1,761</u>	<u>1,808</u>	<u>763</u>	<u>(416)</u>	<u>10</u>	<u>-</u>	<u>693</u>	<u>(867)</u>	<u>30,927</u>

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	U.S. dollars in thousands				
Cash flows from operating activities:					
Net income	2,833	2,193	1,389	1,140	2,236
Adjustments to reconcile loss to net cash provided by operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,921	2,007	623	693	2,704
Capital gain from sale of fixed assets	-	-	-	-	338
Cost of share-based payment	56	(2)	19	19	15
Tax expense	88	44	38	12	168
Interest expenses, net	160	204	56	(57)	296
Change in employee benefit liability, net	7	53	6	20	10
Adjustment to current accounts with foreign operation	122	40	90	82	31
	2,354	2,346	832	769	3,562
Changes in operating asset and liability items:					
Decrease (increase) in trade receivables	979	383	(1,054)	(1,501)	(1,606)
Decrease (increase) in amounts due for construction contracts	(1,633)	(507)	482	884	855
Decrease (increase) in other accounts receivable	(239)	(140)	(200)	6	(67)
Decrease (increase) in inventories	464	(1,052)	16	(245)	154
Increase (decrease) in trade payables	(338)	1,842	257	587	66
Increase (decrease) in other accounts payable	426	(261)	525	(460)	539
	(341)	265	26	(729)	(59)
Cash paid and received during the period for:					
Interest paid	(286)	(242)	(64)	(15)	(359)
Interest received	143	129	21	39	164
Taxes paid	(53)	(58)	(10)	(41)	(107)
	(196)	(171)	(53)	(17)	(302)
Net cash provided by operating activities	4,650	4,633	2,194	1,163	5,437

The accompanying note is an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	U.S. dollars in thousands				
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(430)	(748)	(153)	(252)	(1,097)
Capitalization of research and development costs	(345)	(443)	(96)	(96)	(555)
Restricted cash in respect of right to use asset	-	-	-	-	182
Deposit in banking corporations	(60)	-	(10)	-	(5,130)
Proceeds from sale of fixed assets	-	-	-	-	4
Net cash used in investing activities	<u>(835)</u>	<u>(1,191)</u>	<u>(259)</u>	<u>(348)</u>	<u>(6,596)</u>
<u>Cash flows from financing activities:</u>					
Receipt of Government grants	4	81	-	-	84
Payments for Government grants	(42)	(19)	(39)	(11)	(19)
Payments of convertible bonds	(2,462)	(2,462)	-	-	(2,462)
Exercise of warrants into shares by controlling shareholder	-	-	-	-	5,120
Payments of lease liability	(964)	(968)	(312)	(325)	(1,292)
Exercise of warrants into shares	28	2	17	2	5
Net cash provided by (used in) financing activities	<u>(3,436)</u>	<u>(3,366)</u>	<u>(334)</u>	<u>(334)</u>	<u>1,436</u>
Translation differences on balances of cash and cash equivalents	<u>(124)</u>	<u>(85)</u>	<u>(91)</u>	<u>(46)</u>	<u>(27)</u>
Increase (decrease) in cash and cash equivalents	255	(9)	1,510	435	250
Cash and cash equivalents at the beginning of the period	<u>12,263</u>	<u>12,013</u>	<u>11,008</u>	<u>11,569</u>	<u>12,013</u>
Cash and cash equivalents at the end of the period	<u><u>12,518</u></u>	<u><u>12,004</u></u>	<u><u>12,518</u></u>	<u><u>12,004</u></u>	<u><u>12,263</u></u>
<u>Significant non-cash transaction:</u>					
Purchase of fixed assets on suppliers credit	<u>117</u>	<u>56</u>	<u>117</u>	<u>56</u>	<u>97</u>
Recognition of the right of use against a lease liability	<u>69</u>	<u>1,239</u>	<u>-</u>	<u>1,239</u>	<u>5,371</u>

The accompanying note is an integral part of the interim consolidated financial statements.

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

These financial statements have been prepared in a condensed format as of September 30, 2020 and for the nine and three months then ended ("interim financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2019 and for the year then ended and accompanying notes ("annual financial statements").
