

ORBIT TECHNOLOGIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2022

UNAUDITED

U.S. DOLLARS IN THOUSANDS

INDEX

	Page
Auditors' Letter	2
Consolidated Balance Sheets	3 - 4
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7 - 8
Consolidated Statements of Cash Flows	9 - 10
Note to Consolidated financial Statements	11



Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

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 March 31, 2022 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period 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 May 29, 2022, 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 29 May , 2022

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

CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	28,177	24,371	29,885
Accounts receivables	8,655	8,328	10,708
Amounts due for construction contracts	7,810	8,102	7,054
Other accounts receivable	1,679	1,054	1,500
Inventories	6,992	5,696	5,684
	<u>53,313</u>	<u>47,551</u>	<u>54,831</u>
NON-CURRENT ASSETS:			
Other assets	10	10	10
Fixed assets	14,606	8,314	14,607
Intangible assets	9,313	5,495	6,269
Goodwill	699	-	-
Deferred taxes	883	632	1,191
	<u>25,511</u>	<u>14,451</u>	<u>22,077</u>
	<u><u>78,824</u></u>	<u><u>62,002</u></u>	<u><u>76,908</u></u>

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

CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>U.S. dollars in thousands</u>		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	6,710	6,628	7,323
Other accounts payable	14,883	13,294	14,931
	<u>21,593</u>	<u>19,922</u>	<u>22,254</u>
NON-CURRENT LIABILITIES:			
Liability for Government grants	532	645	516
Employee benefit liability	440	314	346
Lease payment liability	9,066	3,826	9,551
Warranty liability	684	632	708
Contingent liability related to acquisition	871	-	-
Deferred taxes	521	14	-
	<u>12,114</u>	<u>5,431</u>	<u>11,121</u>
EQUITY:			
Share capital	6,497	6,462	6,493
Paid-in capital	21,071	20,829	21,039
Warrants	1,761	1,761	1,761
Retained earnings	15,103	7,276	13,696
Reserve for share-based payment	1,321	883	1,118
Foreign currency translation adjustments	(420)	(349)	(358)
Reserve for defined benefit plans	651	654	651
Treasury shares	(867)	(867)	(867)
Total equity	<u>45,117</u>	<u>36,649</u>	<u>43,533</u>
	<u>78,824</u>	<u>62,002</u>	<u>76,908</u>

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

29 May, 2022			
Date of approval of the financial statements	Yitzchak Gat Chairman of the Board	D. Eshchar CEO	R. Wirth CFO

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2022	2021	2021
	Unaudited		Audited
	U.S. dollars in thousands		
	(except per share data)		
Revenues from sales and construction performed	12,501	12,058	54,789
Cost of sales and construction performed	<u>7,776</u>	<u>8,150</u>	<u>34,559</u>
Gross profit	4,725	3,908	20,230
Research and development costs, net	618	930	3,672
Selling and marketing expenses	1,344	1,310	5,713
General and administrative expenses	<u>1,059</u>	<u>886</u>	<u>3,694</u>
Operating income before other expenses	1,704	782	7,151
Other expenses (income)	<u>231</u>	<u>7</u>	<u>(16)</u>
Operating income after other expenses	1,473	775	7,167
Finance income	300	171	24
Finance expenses	<u>77</u>	<u>81</u>	<u>548</u>
Income before taxes on income	1,696	865	6,643
Income tax expense	<u>289</u>	<u>8</u>	<u>(634)</u>
Net Profit	<u><u>1,407</u></u>	<u><u>857</u></u>	<u><u>7,277</u></u>
Net Profit per share attributable to equity holders of the Company (in U.S. dollars):			
Basic profit per share	<u><u>0.076</u></u>	<u><u>0.046</u></u>	<u><u>0.391</u></u>
Diluted profit per share	<u><u>0.062</u></u>	<u><u>0.040</u></u>	<u><u>0.326</u></u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2022	2021	2021
	Unaudited		Audited
	U.S. dollars in thousands		
Net Profit	<u>1,407</u>	<u>857</u>	<u>7,277</u>
Other comprehensive profit (net of tax effect):			
Actuarial loss from defined benefit plans	-	-	(3)
Foreign currency translation adjustments of foreign operation	<u>(62)</u>	<u>(15)</u>	<u>(24)</u>
Total other comprehensive loss	<u>(62)</u>	<u>(15)</u>	<u>(27)</u>
Total comprehensive income	<u><u>1,345</u></u>	<u><u>842</u></u>	<u><u>7,250</u></u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands								
	Unaudited								
Balance at January 1, 2022 (audited)	6,493	21,039	1,761	13,696	1,118	(358)	651	(867)	43,533
Net Income	-	-	-	1,407	-	-	-	-	1,407
Other comprehensive loss	-	-	-	-	-	(62)	-	-	(62)
Total comprehensive income (loss)	-	-	-	1,407	-	(62)	-	-	1,345
Exercise of warrants into shares	4	32	-	-	(32)	-	-	-	4
Cost of share based-payment	-	-	-	-	235	-	-	-	235
Balance at March 31, 2022	<u>6,497</u>	<u>21,071</u>	<u>1,761</u>	<u>15,103</u>	<u>1,321</u>	<u>(420)</u>	<u>651</u>	<u>(867)</u>	<u>45,117</u>
	Share capital	Paid-in capital	Warrants	Retained earnings	Reserve for share-based payment	Foreign currency translation adjustments	Reserve for defined benefit plans	Treasury shares	Total equity
	U.S. dollars in thousands								
	Unaudited								
Balance at January 1, 2021 (audited)	6,458	20,788	1,761	6,419	821	(334)	654	(867)	35,700
Net Income	-	-	-	857	-	-	-	-	857
Other comprehensive loss	-	-	-	-	-	(15)	-	-	(15)
Total comprehensive income (loss)	-	-	-	-	-	(15)	-	-	842
Exercise of warrants into shares	4	39	-	-	(7)	-	-	-	36
Forfeiture of options	-	2	-	-	(2)	-	-	-	-
Cost of share based-payment	-	-	-	-	71	-	-	-	71
Balance at March 31, 2021	<u>6,462</u>	<u>20,829</u>	<u>1,761</u>	<u>7,276</u>	<u>883</u>	<u>(349)</u>	<u>654</u>	<u>(867)</u>	<u>36,649</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Paid-in capital</u>	<u>Warrants</u>	<u>Retained earnings</u>	<u>Reserve for share-based payment</u>	<u>Foreign currency translation adjustments</u>	<u>Proceeds from conversion option</u>	<u>Reserve for defined benefit plans</u>	<u>Treasury shares</u>	<u>Total equity</u>
	U.S. dollars in thousands									
Balance at December 31, 2020	6,458	20,788	1,761	6,419	821	(334)	-	654	(867)	35,700
Net income	-	-	-	7,277	-	-	-	-	-	7,277
Other comprehensive loss	-	-	-	-	-	(24)	-	(3)	-	(27)
Total comprehensive Income (loss)	-	-	-	7,277	-	(24)	-	(3)	-	7,250
Exercise of warrants into shares by controlling shareholder	35	251	-	-	(156)	-	-	-	-	130
Forfeiture of options	-	-	-	-	(15)	-	-	-	-	(15)
Cost of share based-payment	-	-	-	-	468	-	-	-	-	468
Balance at December 31, 2021	<u>6,493</u>	<u>21,039</u>	<u>1,761</u>	<u>13,696</u>	<u>1,118</u>	<u>(358)</u>	<u>-</u>	<u>651</u>	<u>(867)</u>	<u>43,533</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2022	2021	2021
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income	1,407	857	7,277
Adjustments to reconcile net income to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	779	616	2,591
Capital Gain from sale of fixed assets	-	-	1
Cost of share-based payment	235	71	453
Tax expense	289	8	(634)
Interest expenses, net	68	74	371
Change in employee benefit Liability, net	(7)	(14)	16
Adjustment to current accounts with foreign operation	(32)	51	42
	<u>1,332</u>	<u>806</u>	<u>2,840</u>
Changes in operating asset and liability items:			
Decrease in trade receivables	3,166	3,202	822
Increase in amounts due for construction contracts	(756)	(2,978)	(1,930)
Increase in other accounts receivable	(167)	(292)	(458)
Decrease (increase) in inventories	(507)	24	(239)
Increase (Decrease) in trade payables	(1,043)	423	1,001
Increase (Decrease) in other accounts payable	(1,736)	(510)	1,239
	<u>(1,043)</u>	<u>(130)</u>	<u>435</u>
Cash paid and received during the period for:			
Interest paid	(77)	(25)	(369)
Interest received	9	10	24
Taxes paid	(37)	(11)	(172)
	<u>(105)</u>	<u>(26)</u>	<u>(544)</u>
Net cash provided by operating activities	<u>1,591</u>	<u>1,507</u>	<u>10,008</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2022	2021	2021
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(228)	(215)	(931)
Net cash used to activity acquisition	(1,352)	-	-
Capitalization of research and development costs	(1,282)	(62)	(1,146)
Net Used in investing activities	(2,862)	(277)	(2,077)
<u>Cash flows from financing activities:</u>			
Payments of lease liability	(473)	(400)	(1,690)
Exercise of warrants into shares	4	36	129
Net cash used in financing activities	(469)	(364)	(1,561)
Translation differences on balances of cash and cash equivalents	32	(50)	(40)
Increase (Decrease) in cash and cash equivalents	(1,708)	816	6,330
Cash and cash equivalents at the beginning of the period	29,885	23,555	23,555
Cash and cash equivalents at the end of the period	28,177	24,371	29,885
<u>Significant non-cash transaction:</u>			
Purchase of fixed assets on suppliers credit	359	107	222
Recognition of the right of use against a lease liability	186	218	7,088
Inventories to fixed assets	39	-	275

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 March 31, 2022 and for the 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, 2021 and for the year then ended and accompanying notes ("annual financial statements").
